

# BUSINESS WEEK

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W-HILL  
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Y, INC.

ENTS

THEY AGREE—that the Wagner Act needs overhauling. President Roosevelt and A.F.L.'s William Green may disagree on what kind of overhauling, but promise of a review is big Labor Day news for employers.

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*Another true case history  
from the Allis-Chalmers  
files that proves "IT PAYS  
TO BUY THE EQUIPMENT  
THAT PAYS FOR ITSELF!"*

# HOW THE COST OF SALT WAS CUT

● How was the cost of salt cut? Salt used to be a luxury . . . but now it's on every table in the land!

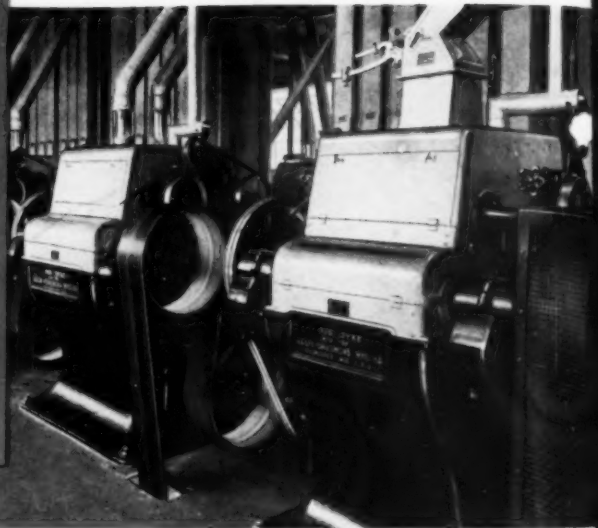
How was modern packaging of salt made possible? What made salt an article in common, everyday use?

The answer to these questions is in a case history . . . an actual case history in the Allis-Chalmers files!

Until some years ago, salt was ground in crude, stone mills. And the salt wasted in grinding was enormous! Then the engineers and chemists of three leading American salt companies came to Allis-Chalmers. And in the laboratory, under test, they found the answer to their problem of product control . . . with Allis-Chalmers gradual reduction milling system.

Never before has salt been available to every home at such a low price. And it's our honest belief that Allis-Chalmers equipment . . . equipment that pays for itself . . . has largely contrib-

**Read How Allis-Chalmers Beat Waste in the Salt Industry! Get the Whole Story on the Equipment that Can Cut Your Costs . . . that Can Pay for Itself in the Dollars It Saves!**



uted to modern salt packaging . . . to cutting the cost of salt!

## **How Allis-Chalmers Can Work For You!**

In plants all over the country . . . in factories in every industry, Allis-Chalmers equipment is helping hundreds of companies to beat production waste . . . to cut production costs . . . through methods provided by the technical background of Allis-Chalmers engineers. And . . . like thousands of other executives throughout the country . . . you'll find your comptroller enthusiastic about it because it actually pays for

**THE ALLIS-CHALMERS GRADUAL REDUCTION MILLING SYSTEM** beats waste in the salt industry with Nordyke Double Roller Mills. And it cuts production costs . . . for roller mills take less power than any other type of grinding equipment.

itself in savings in dollars and cents!

Find out how Allis-Chalmers can put 90 years of engineering experience to work for you. There's an Allis-Chalmers engineer in the District Office near you. Let him tell you how to cut costs . . . with the equipment that pays for itself!

## **PRODUCTS ENGINEERED TO PAY FOR THEMSELVES**

Electrical Equipment • Power Transmission Equipment • Steam and Hydraulic Turbines • Blowers and Compressors • Engines and Condensers • Centrifugal Pumps • Flour and Cereal Mill Equipment • Boiler Feedwater Treatment • Saw Mill and Timber Preserving Machinery • Crushing, Cement and Mining Machinery



# **ALLIS-CHALMERS**

MILWAUKEE WISCONSIN



## "Now they're making hose of coke, limestone and sea water"

### *A typical example of Goodrich development in Rubber*

HOSE is one of the latest things to be made with materials taken out of the sea and the ground. For years hose for gasoline pumps had to be specially made—with metal inside, heavy fabric outside—because gasoline dissolves the rubber of ordinary hose. But this metal-and-fabric hose was bulky and stiff, especially in freezing weather, and had to be replaced frequently.

Then Goodrich developed new synthetic elastic compounds and established

a special "synthetics department," to apply them to rubber products of all kinds.

One of those products is a light, flexible, easy-handling, fast-flow gasoline hose that station attendants all like and that saves money for the service station owners.

It's an illustration of the Goodrich attitude toward all new things. Rubber products must change and improve just as mechanical products do—and Goodrich adopts that "spirit

of change" toward belting, hose, rolls, and all other industrial rubber products no matter how commonplace they may seem. It's the reason you save time and money when you specify *Goodrich* to your distributor. The B. F. Goodrich Company, Mechanical Rubber Goods Division, Akron, Ohio.

## Goodrich

ALL *products problems* IN RUBBER





## WHY TRUCK TIRES HAVE BECOME A FRONT OFFICE ITEM

● Lean years cause business heads to scrutinize all costs more carefully.

This year, many men are discovering that while a great deal of thought has been given to the purchase of a truck costing perhaps \$1000, that very little thought has been given to the purchase of tires which in the life of the truck might cost more than the truck itself.

If a set of tires costing \$250 can be made to run 50% farther, here is an important saving. Multiplied by 10 or 20 trucks, this saving could actually pay for several additional trucks or other equipment.

The answer to cutting truck tire costs goes much further than merely buying a husky well known make. A good tire on the wrong job won't deliver half its potential service.

Your local General Tire dealer not only has a complete specialized line of tires but he is a practical truck tire man with wide experience in applying and servicing tires. He is ready to offer you the benefit of his knowledge. He may be able to reduce your costs materially.

**THE GENERAL TIRE & RUBBER COMPANY • AKRON, O**

*In Canada—The General Tire & Rubber Co., Ltd., Toronto*

# GENERAL TRUCK TIRES

## THIS BUSINESS WEEK

THE HEAVY INDUSTRIES WEIGH HEAVILY on the minds of most business editors. They should because they are important in themselves and because of their influence on all other industries. However, some of the most interesting—and sometimes the most important—news doesn't come out of the ranks of these giants whose affairs ordinarily bulk so large in the restricted business sections of the newspapers.

### WHAT THEY SAY

*Business Week* covers steel, the automobiles, railroad equipment, and the other big fellows, but it covers just as eagerly all the rest of the business picture, digs into the service industries, follows the marketers to market, listens in on the advertising men. That's why shop-talking friends in the publishing business are always saying enviously: "You birds (meaning *Business Week* editors) don't know how lucky you are. You're doing something that no one else is. You're the only weekly news magazine devoted exclusively to business-at-large. You know—or you ought to know—that the world of business and our whole economic life are not dependent solely on the stock market, the doings of a few heavy industries, the prices of a few major commodities, Franklin D. Roosevelt, and John L. Lewis."

### LAST THINGS FIRST

FOR ANYBODY WHO DOESN'T KNOW THEM, we recommend that, for a change, he let the Outlook, the market report, and the "big, basic stuff" wait this week.

On page 24, there's that druggist-dime store row in California. It seems that California's retail druggists are trying to stop the variety chains from selling such items as mouthwashes, gargles, cosmetics, soap, etc.

On page 30, there's a story about streamlined vegetables. Enterprising merchandisers are learning that uniformity in size of potatoes, tomatoes, cantaloupes, and whatever else you eat, is important in packaging to tempt the housewife.

On page 35, there's a story of how business men and labor leaders of a town of 40,000 are getting together on a public relations and industrial relations program that they hope will revitalize their town. It's a shining example for many other communities.

There are three examples of what we're talking about—lively and important stories that start a long way from the stock market and heavy industries. You'll find others for yourself.

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A McGRAW-HILL

PUBLICATION



"So, I have to pay for a neighbor's carelessness!"



He'd never had an explosion in his home; he was always careful. But explosion doesn't always confine its damage to the premises where it originates, as he learned one night when an explosion nearby showered his property with destructive missiles. Explosion Insurance would have taken care of his loss . . . it covers whether the damage results from an explosion from insured causes on or off the premises.



YOU insure to save yourself financial loss. You know that fire can and may cause your business a serious setback . . . so you wisely protect your investment by fire insurance. But what about other common hazards that every year bring business men discouraging . . . and sometimes irreparable . . . losses? Are you insured

against them, too? You should be . . . for a loss is a loss, whether caused by fire, explosion, embezzlement or damage suit for injuries suffered on your premises.

Consult with any North America Agent, or your broker. Learn what policies are available against the hazards that threaten your business.

Ask him, too, about the North America loss-prevention engineering service for reducing hazards . . . thus lowering rates.

North America Agents may be found in the Classified Telephone Directories under the name and identifying "Eagle" emblem of Insurance Company of North America.

## Insurance Company of North America

PHILADELPHIA

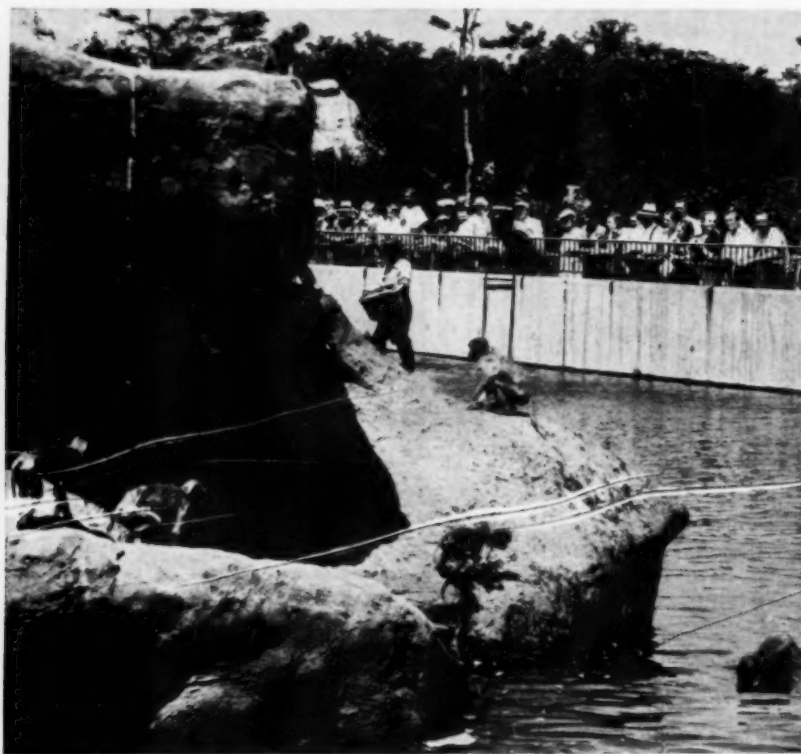
FOUNDED  
1792

*and its affiliated companies write practically every form of insurance except life*

LOSSES PAID  
\$435,000,000

# MONKEY ISLAND MOAT

BUILT WATERTIGHT WITH 'INCOR'



**24-HOUR CEMENT CURES 5 TIMES AS FAST; HELPS  
ASSURE STRONG, DENSE, WATERTIGHT CONCRETE**

**REDUCES CONCRETE COSTS, TOO**

**M**ONKEY ISLAND is year-around home of Chicago Zoo's Rhesus Monkeys. This species are great swimmers; hence the island's water-filled concrete moat. Watertight concrete has to be strong and dense; so 'Incor' 24-Hour Cement was used. Reason:

Concrete cures through chemical reaction between cement and water. 'Incor' shortens this process, makes curing next thing to automatic; because 'Incor', a basically improved Portland cement, combines with water 5 times as fast; has to be kept wet only one-fifth as long. Result: watertight curing in 24 to 48 hours—concrete that's service-strong a week sooner. This means longer-wearing, more watertight concrete.

And, by hardening 5 times as fast, 'Incor' also cuts costs. You pour concrete one day; strip forms the next. Faster, smoother operation reduces form, overhead, and labor costs. On five jobs recently surveyed, 'Incor' produced net savings of from 45¢ to \$1.22 a cubic yard of concrete.

That is why it pays to tell your contractor to figure each job two ways—with Lone Star and with 'Incor'. Both produce concrete of the same high quality. The difference is in time required to cure. When faster curing and rapid hardening show a net cost saving, you get more for your money with 'Incor'. Otherwise Lone Star is the better buy. Lone Star Cement Corporation, 342 Madison Ave., New York.

\*Reg. U. S. Pat. Off.

## LONE STAR CEMENT CORPORATION

MAKERS OF LONE STAR CEMENT... 'INCOR' 24-HOUR CEMENT

## NEW BUSINESS

### PACKAGE BEES

SHIPMENTS OF BEES, forwarded by Railway Express Agency from seven Southern states during April, May, and June, grossed 423,284 lb., or more than 200 tons—over 2,000,000,000 bees at the rate of 5,000 per lb. This heavy movement of "package bees" ran 7% ahead of the same period last year. Part of the steadily increasing spring demand for new bees comes from orchardists seeking to assure pollinization of fruit blossoms. Largest proportion, however, went to Northern beekeepers who have a tough time bringing their little charges through tough winters.

### WHAT'S YOUR A.Q.?

TO HELP WHILE AWAY their time and incidentally to get in a few subtle plugs for aviation, Transcontinental & Western Air, Inc., is supplying its passengers with intelligence-testing questionnaires in the modern spirit, entitled "What's Your A.Q.?" A.Q. stands for "Aviation Quotient." Typical question reads: "You'll notice that there are two pilots in the control cabin of this plane. How many men would you say TWA had on the ground for every pilot aloft?"

### SHORT-HAUL DIESELS

UNTIL PRETTY RECENTLY, contractors have contended that diesel power would not be economical for dump trucks, that they are essentially short-haul buggies, that diesels should confine their work to high-speed, interstate freight transfer. But experience has led three of the largest contracting outfits in New York City to dieselize their equipment with engines purchased from Cummins Engine Co., Columbus, Ind. In fact, Colonial Sand & Stone Co., Inc., has just ordered 112 engines at one wallop. New improvements in fuel systems eliminate much of the smoke and odor formerly associated with diesels on the streets and roads.

### BUSINESS FINDS ITS VOICE

THREE FACTUAL *Harpers Magazine* articles on public relations activities of business organizations are appearing in book form: "Business Finds Its Voice," by Walker and Sklar. Published by Harper & Bros., New York, price \$1.25.

### COSMETOLOGY AND WEATHER

TO MEET DEMANDS of business for trained weather forecasters, New York University announces a new Department of Meteorology; to meet equally constant demands for pharmacists who can keep up with the nation's cosmetic demands, Brooklyn College of Pharmacy of Long Island University will give two courses each in Cultural Cos-

metology and Pharmaceutical Cosmetics.

### FIBERS, JUST FIBERS

GOSSIP ABOUT NEW TEXTILE fibers and their potentialities filters through the textile trade like the rayon gossip of a quarter of a century ago. Definitely it can be said that Stephen P. Gould and Earl O. Whittier of the U. S. Department of Agriculture have developed a process for making a fiber similar to wool out of casein. Their method, which differs from that used in producing Italian Lanital, is somewhat similar to that used in making viscose rayon from cellulose; they soften casein in water and dissolve it in a caustic soda solution; resultant mass is forced through multiple spinnerets just like rayon, when it becomes fibers, kinky like wool, but without the characteristic scales of wool. Chemical composition is almost identical with wool except for a lower sulphur content.

Equally definitely it can be said that E. I. du Pont de Nemours & Co. has in development a new fiber which promises eventually to displace many of the 50 million or more pounds of raw silk imported each year by this country. But for a variety of excellent reasons, du Pont is not going on record, at least until a new pilot plant is in operation and probably not before definitive plans for a new production plant are at least on paper. Members of the hosiery trade, which uses considerably more than a half of all imported raw silk, report that stockings made of the new fiber, whose only name so far is "Fiber 66," will outwear natural silk two to one, that it is equally lustrous, equally elastic, and that it takes the new fall colors in the dye vats admirably. Chemical composition, owing to a patent situation, remains a deep secret, but all physical and chemical tests for cellulose indicate that Fiber 66 has not a shred of cellulose in it. Du Pont requests earnestly that interested parties withhold all inquiries pending completion of development and authoritative announcement.

### CHEMICAL GOLD RUSH

LIKE THE FORTY-NINERS who trekked across the continent in quest of Western gold, the chemical process industries are in a new "gold rush" to secure the advantages of new, cheap, and abundant power plus vast hoards of adjacent raw materials to be found in the West. According to *Chemical and Metallurgical Engineering's* Third Pacific Coast Issue, forthcoming in September, cheap power and water from Boulder Dam, Grand Coulee, and Bonneville, plus plentiful limestone, salt, bromine, potash, borax, phosphate, and magnesium, plus cheap transportation form a combination which the manufacturing chemists are not resisting.



### Night Raid!

As secret and silent, often as ruthless, as the cattle raid of a Bengal tiger, burglary may involve the loss of your most valuable possessions.

Standard Accident of Detroit — experienced, progressive, financially sound — can protect you against financial loss consequent upon burglary, robbery, theft, or larceny.

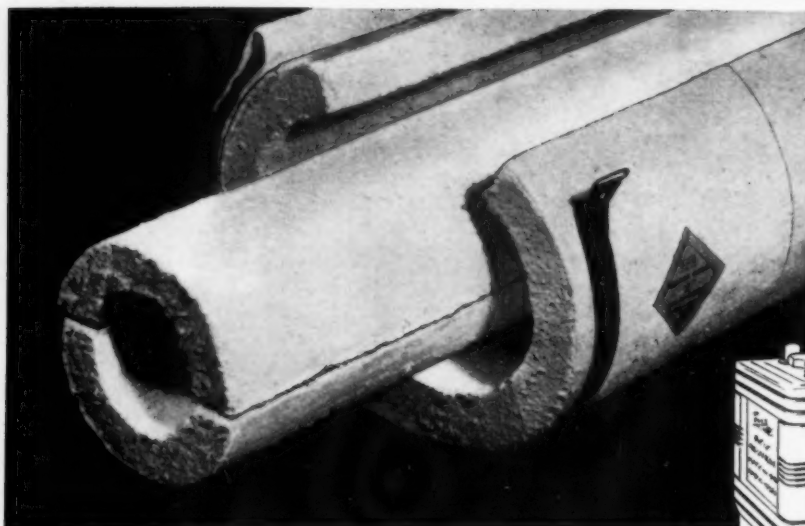
Standard also protects against possible loss through numerous other home hazards, such as: injuries to self, employees, or public; fixed glass breakage; water damage; explosion; loss of use; damage by aircraft and vehicles.

Any one of Standard's 9000 competent representatives can provide complete details on Casualty or Bond coverages for home or business.

### STANDARD ACCIDENT INSURANCE COMPANY

Standard Service Satisfies . . . Since 1884





# Exide

## K & M insulation is in the plant where this famous battery is made

For heat insulation, on numerous occasions the makers of Exide batteries turned to K & M—an organization which for more than half a century has helped the nation's industries to utilize both heat and power with ever-increasing efficiency.

Starting as a tiny two-man busi-

ness more than 65 years ago, The Keasbey & Mattison Company, always an American institution with American ideas, specialized from the start in Magnesia, and later, in Asbestos products. Pioneering in insulation materials, this Company rapidly grew to an important industry, and today employs 2000 persons.

As an innovator of improved materials, of advanced methods of distribution, and of scientific product application, K & M is one of the manufacturing leaders of America.



## Asbestos and Magnesia Products

**KEASBEY & MATTISON COMPANY**  
AMBLER, PENNA.

One of the leading K & M products is "Featherweight" 85% Magnesia, an outstandingly efficient form of insulation for temperatures up to 600°F. It is also exceedingly durable, retaining its high efficiency through the years. K & M cooperates with its distributors by making available to users constructive engineering advice that frequently produces extra economies. For quality products and intelligent service, you can rely upon K & M Distributors.

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# WASHINGTON BULLETIN

WASHINGTON (*Business Week Bureau*)—That little cottage on Dutchess Hill for ex-President Roosevelt will be done about the middle of October. No phone—and no newspapers, or so Mr. Roosevelt likes to think now.

No, there's no inside dope on his moving-day plans. Politicians in both conservative Democrat and Republican camps are worried that all the talk about a third term will get people used to the idea. Anti-Roosevelts really rely on the unwritten law against a third term to put him out.

## THE PURGE, ACT II

UNDISMAYED by the crushing New Deal defeat in South Carolina, or by the Gallup poll indicating victory for Tydings in Maryland and George in Georgia, the Administration plans a new "purge" looking toward 1940.

Already started in Georgia and Maryland, the White House plans to smash the state organizations now bossed by "Yes, but—" Democrats, substitute 100 per cent pro-New Deal machines in their places, so that in 1940 the delegations sent to the national convention will be one hundred percenters. This will enable Roosevelt to dictate who his successor will be, or to rename himself, as he may choose; it is intended to strip the southern conservatives of any chance of nominating a Garner, a Jesse Jones, or a Harry Byrd.

## PURGE NOMINEES AIDED

VICTORY of "Cotton Ed" Smith in South Carolina by a wide margin plus the President's statement that "it takes a long, long time to bring the past up to the present" is calculated to help George in the neighboring state of Georgia tremendously. Moral effect will also spread into Maryland. New Dealers are still sure of beating Rep. O'Connor in New York.

## HOW THE SCORE STANDS

"YES, BUT—" Senators now renominated include Adams, Clark, Gillette, Smith, and Van Nuys. Hundred percenters include Pepper, Barkley, Bulkley, Hill, McGill, and Reynolds. Lame ducks so far all are hundred percenters, Dieterich, Pope, Berry, and McAdoo.

California was a rebuff for the President, but not one in which the Southern conservatives take any satisfaction, as the only issue on which the President and Downey differed was the \$30-a-month pension plan. Incidentally, every time so far any phase of the

Townsend Plan has come up, the "funny money" candidate has won.

## McADOO FOR MARITIME BOARD

DEFEAT of Sen. McAdoo puts him on the President's lap for a job. The Maritime Commission is afraid it will get him in place of Commissioner Truitt, filling out the unexpired term of Joe Kennedy, which ends Sept. 26.

McAdoo churned up a lot of rough water for the old Shipping Board, and he wants subsidies for intercoast shipping, with luxury liners for the California tourist trade. If the President's choice is not McAdoo, he will

law don't involve government policy on curbing big business. That may come out of the O'Mahoney committee. Arnold aims to get more effective application of the law as it stands by provisions (1) holding officials responsible for violation of the law by a corporation, (2) increasing present nominal penalties against individual defendants, (3) permitting the government to appeal from court orders granting new trials after defendants have been found guilty by a jury, and (4) prohibiting orders of dismissal following a verdict of guilty in criminal actions.

## ANDREWS' ENFORCEMENT PLANS

NO "PLAGUE OF LOCUSTS" from Washington will descend on industrial plants when the wage-hour law becomes effective Oct. 24. To secure compliance with the federal standards, Administrator Andrews' aim is to develop decentralized methods as rapidly as possible. State labor departments will be utilized where they are equipped for the job. Elsewhere Andrews will set up his own field staff but they will not go barging in everywhere.

At the outset compliance will be sought principally by investigation and action on complaints. This will be vigorous as Andrews doesn't propose to encourage the notion that this is a law that fair employers may obey and others can thumb their noses at.

Rather general compliance is expected because employees may bring civil action in the courts for unpaid wages and damages.

## OFFICIALLY, "NO PARALLEL"

ADMINISTRATION OFFICIALS are much peeved by all that editorial comment on French abandonment of the 40-hour week which endeavors to point a moral for this country. France's trouble, they say, was the rigidity of the law, whereas our Labor Standards Act is flexible—not only in its two-step approach to a 40-hour week but in the overtime provision to meet production needs.

Regarding payment of time-and-a-half for overtime, it is argued that this will tend to prevent production from running beyond purchasing power.

## C.I.O.'S PUBLISHING ITCH

CIO News, John L.'s weekly mouthpiece capably edited by Len DeCaux, now runs a dozen editions published under the auspices of C.I.O. industrial councils in Milwaukee, Toledo, the Allegheny valley and other centers. The C.I.O. boys have publication of daily

### Final "Purge"

Richard Prince and Fashion Park  
Year 'Round Suits



Richard Prince \$24.75	Richard Prince \$29.75	Fashion Park \$34.75
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**The Mode**  
F at Eleventh Street

**POLITICS COMES TO F STREET** in Washington as a men's shop takes its cue from the White House to clean house. The suit "purge" was reported successful—more successful than the results the President was getting this week from his aggressive New Deal sales campaign.

almost certainly be another Westerner, as the coast is demanding better representation.

The commission has been voting 2 to 3 on major issues, Chairman Land making the majority. If the new man votes with the present minority (Wiley and Moran), the chairman will not be the boss of his agency.

## ARNOLD'S ANTI-TRUST PLANKS

A "TORY" JUDGE has given Thurman Arnold his first opening to plug for amendment of the anti-trust law in line with his policy of telling Congress all about it when he gets pushed around in court.

The assistant attorney general sees red every time he thinks of the first Madison oil case and Judge Patrick T. Stone's action in sentencing only 12 companies and 5 executives out of the 16 corporations and 30 individuals found guilty by the grand jury.

Arnold's proposals for amending the

# JEWELERS EXCHANGE BUILDING REDUCES COST OF HEATING

**Webster Moderator System Saves \$4,000 in Three Years in Minneapolis Building**

## BETTER HEATING FOR TENANTS

**Modernize or Replace Inefficient Heating Equipment and Apply Webster Central Controls**

## COMFORT IN COLDEST WEATHER

Minneapolis, Minn.—The economy of modern heating service has been demonstrated in the Jewelers Exchange Building where a Webster Moderator System of Steam Heating has reduced steam costs approximately \$4,000 in three heating seasons.

In January, 1935, the owners of the Jewelers Exchange Building decided to modernize or replace out-of-date heating equipment and apply effective Webster Central Controls. The changes were made and resulted in an immediate improvement in steam distribution with the following steam savings as shown by meter readings:

1935-36 .....	\$1,355.30
1936-37 .....	1,465.09
1937-38 (to March 1) .....	1,142.67



Jewelers Exchange Building, Minneapolis

The Jewelers Exchange Building is owned by the Barlow Realty Co., an organization that knows the rental value of keeping a building up-to-date. Heating modernization is one of the improvements made to keep present tenants satisfied and attract additional tenants.

With the Webster Moderator System, the retail shops on the ground floor and the office suites on the remaining floors are comfortably heated during the coldest winter weather.

The Webster Moderator System, controlling 9,832 sq. ft. of installed direct radiation, was installed by William C. Smith, Minneapolis heating contractor.

These before-and-after facts point the way to maximum comfort and economy in heating new buildings as well as in modernization of existing installations. Consult your architect, engineer or heating contractor. Or address

1898 WARREN WEBSTER & CO., CAMDEN, N. J. 1938

Pioneers of Modern Steam Heating

50 YEARS OF HEATING PROGRESS

Representatives in 60 principal U. S. Cities

papers in the back of their heads. So far, it's wishful thinking, but they are building towards it.

## NO RESALE PRICE PROBE

WPA'S SURVEY OF THE EFFECT of resale price maintenance and other marketing laws has been stopped before it got started. Actually, the project was knocked in the head by opponents of such legalized practices to short-cut competition. They were suspicious that a federal agency was being used as a stooge to show an apparent reduction in prices on protected brands.

Whether or not, as some contend, the original sponsors of the project had men planted in the survey organization to manipulate it to their advantage, Harry Hopkins was finally convinced that it is practically impossible to devise sampling methods that would reveal the actual effect of such laws.

Hopkins has left it to the O'Mahoney monopoly investigating committee to initiate whatever survey is made in this field. The Federal Trade Commission may be selected for this purpose.

## POLITICAL TAX GAG

EXPLANATION of the President's comment that inquiries as to the various tax boosts which he will recommend to Congress next session are "premature by two months" is pure politics.

Too many New Dealers have been telling their constituents that there will be no tax revision upward—that it is not necessary. They had seized on this plausible campaign argument because wily Sen. Harrison, chairman of the Senate Finance Committee, had recently made a statement to that effect, in his propaganda against any restoration of the original New Deal tax on undistributed corporation earnings or of the capital gains tax.

For Roosevelt to admit now what the Treasury knows, that there must be substantial increases in taxes, would place these New Deal candidates in the position either of repudiating their promises, or else going against the President. So official explanation of what the Administration wants on taxes must wait until after election.

## WHEAT INSURANCE GAMBLE

CROP INSURANCE OFFICIALS hope for 150,000 applications from winter wheat growers in the regions affected by the Aug. 31 deadline. Final figures will give the first definite indication of acceptance by farmers of this new idea.

Since only two weeks intervened between the announcement of wheat quotas and the closing date for insurance applications, any excess over the estimate will be taken as evidence that the idea has clicked. There will be no regrets, however, if the high-risk territories don't come in.

## Berle Steps Out

IT'S "PROFESSOR" BERLE again as the most realistic and non-political of the braintrusts returns to Columbia for another trick in the classroom, announced in Dr. Butler's fall catalogue several months ago.

Berle's resignation was not prompted by sniping from the Corcoran-Cohen clique which gags on his cold collation of the contradictions in the New Deal's economic policies. Berle is amused by the naiveté of Washington intrigue. As assistant secretary of state he remained aloof, absorbed in the State Department's hand in international politics. He was concerned only to a very limited extent with Hull's reciprocal trade program in general or the British agreement in particular, in spite of the rumors that this is what brought him back to Washington last March.

AAA's general staff hopes that the necessarily high premium level will convert Dust Bowl farmers to the idea of changing crops rather than leaning on insurance.

## WHY NOT INDUSTRY, TOO?

SEC. WALLACE'S WHEAT EXPORT PLAN is arousing discussion of why agriculture, like industry, can't take advantage of the Webb-Pomerene act to dump surpluses abroad. There's a nose-on-face answer. Any group selling low abroad must be able to spread its losses over a large proportion of domestic consumption, and that isn't easy to arrange—except by the government itself.

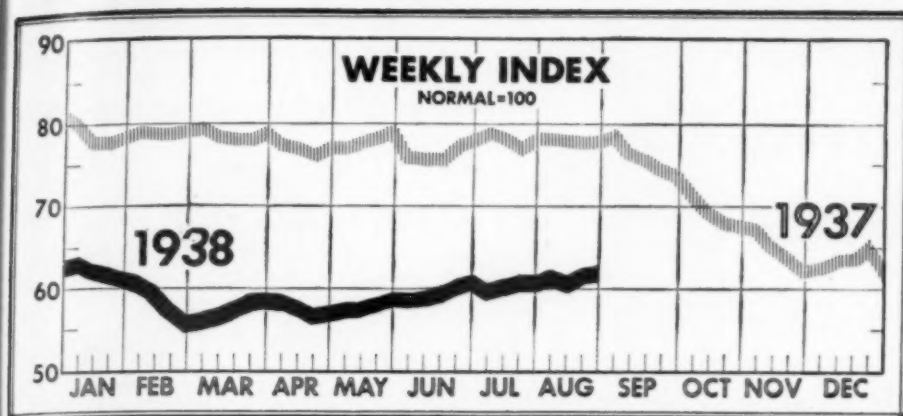
## CHAIN TELEVISION NOT HERE

FERTILE FIELD for news stories is always the Washington Patent Office file—the certain source of all the press pother about that television patent taken out by Dr. Vladimir Zworykin, and assigned to the Radio Corporation of America.

It covers a method of long-distance television transmission, which presumably would make chain television a reality, thereby lowering the present almost prohibitive production costs. Heretofore it's been assumed that the only way to transmit television beyond the single station's 40-mile limit was by coaxial cables or "booster" stations—both expensive. The television network is still very definitely in the laboratory—despite the new patent, and RCA has guardedly refrained from all boastful claims but that couldn't stop the papers from whooping it up as the next, and practically immediate, great advance in television.



# BUSINESS WEEK'S INDEX OF BUSINESS ACTIVITY



## The Figures

Latest Week	*62.6
Preceding Week	†62.3
Month Ago	61.6
Year Ago	78.7
Average 1933-37	69.2

### PRODUCTION

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
*Steel Ingot Operation (% of capacity).....	44.0	42.8	39.8	84.1	52.9
*Building Contracts (F. W. Dodge, 4-week daily average in thousands).....	\$9,568	\$9,611	\$9,220	\$11,896	\$7,326
Engineering Construction Awards (Eng. News-Rec. 4-wk. daily av. in thousands)	\$9,627	\$9,845	\$8,853	\$6,986	\$5,276
*Bituminous Coal (daily average, 1,000 tons).....	1,039	999	975	1,278	1,142
*Electric Power (million kw.-hr.).....	2,134	2,139	2,094	2,295	1,920

### TRADE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Total Carloadings (daily average, 1,000 cars).....	100	98	97	130	112
*Miscellaneous and L.C.L. Carloadings (daily average, 1,000 cars).....	64	63	62	80	71
*Check Payments (outside N. Y. City, millions).....	\$3,377	\$3,617	\$3,503	\$4,038	\$3,395
*Money in Circulation (Wednesday series, millions).....	\$6,470	\$6,485	\$6,416	\$6,495	\$5,781

### PRICES (Average for the week)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Wheat (No. 2, hard winter, Kansas City, bu.).....	\$1.65	\$1.65	\$1.68	\$1.08	\$1.05
Cotton (middling, New York, lb.).....	8.39¢	8.37¢	8.64¢	9.54¢	11.08¢
Iron and Steel (Steel, composite, ton).....	\$36.50	\$36.49	\$36.43	\$40.36	\$33.85
Copper (electrolytic, Connecticut Valley basis, lb.).....	10.125¢	10.125¢	10.104¢	14.000¢	10.048¢
Moody's Spot Commodity Price Index (Dec. 31, 1931=100).....	143.3	143.3	147.3	194.9	166.0

### FINANCE

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Bond Yields (Standard Statistics, average 45 bonds).....	5.81%	5.80%	5.76%	4.58%	4.72%
Call Loans, Renewal Rate, N. Y. Stock Exchange (daily average).....	1.00%	1.00%	1.00%	1.00%	.85%
Prime Commercial Paper, 4-6 Months, N. Y. City (prevailing rate).....	.75%	.75%	.75%	1.00%	.98%
Business Failures (Dun and Bradstreet, number).....	230	218	219	155	202

### BANKING (Millions of dollars)

	Latest Week	Preceding Week	Month Ago	Year Ago	Average 1933-37
Total Federal Reserve Credit Outstanding (Wednesday series).....	2,579	2,587	2,583	2,565	2,443
Excess Reserves, all member banks (Wednesday series).....	2,980	2,930	3,040	761	1,574
Total Loans and Investments, reporting member banks.....	20,713	20,632	20,556	22,315	20,179
Commercial and Agricultural Loans, reporting member banks.....	3,890	3,900	3,869	4,606	†
Security Loans, reporting member banks.....	1,216	1,210	1,172	2,048	†
U. S. Gov't and Gov't Guaranteed Obligations Held, reporting member banks.....	9,377	9,302	9,299	9,366	†
Other Securities Held, reporting member banks.....	3,119	3,107	3,096	2,991	†

\* Factor in Business Week Index.

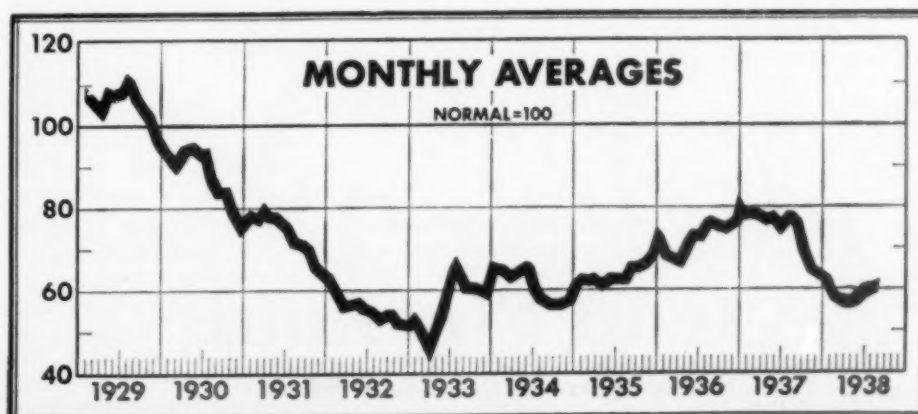
\* Preliminary, Week Ended August 27.

† Revised.

‡ Not Available.

These monthly averages are merely simple averages of each month's weekly figures of Business Week's index of business activity presented in the chart at the top of the page. They enable readers to get a general view of the trend of business since 1929.

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**155 typical  
Iron Fireman  
installations  
cut fuel costs  
49%  
in one year**



## **Can You Afford to Waste What IRON FIREMAN Users Are Saving?**

If you will compare costs and results of Iron Fireman automatic coal firing with your present method, you will see how to make substantial savings.

An operating cost check of 155 Iron Fireman installations in Cleveland, Milwaukee and Toronto showed:

<b>FUEL COST SAVING—49%</b>	
Previous yearly fuel cost, all installations.....	\$204,062.39
Iron Fireman fuel cost, all installations.....	102,846.60
Iron Fireman yearly fuel cost saving of 49% or... ..	101,215.79
<b>RETURN ON INVESTMENT—45%</b>	
Total cost of Iron Fireman equipment.....	\$222,762.00
Total yearly fuel cost savings.....	101,215.79
Average yearly return on investment.....	45%

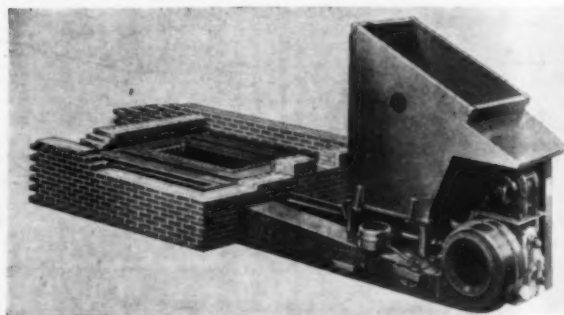
Just think of it! In an era of small returns on capital investments, here is a machine that not only pays for itself but continues to make large earnings for its owners.

These actual figures of typical installations in business buildings, hotels, churches, manufacturing plants, etc., were furnished by Iron Fireman owners from their own books and records. Fuels formerly used were oil, gas, hand-fired coal, central steam.

In addition to these savings, significant advantages resulted from steady heat or power and increased boiler plant efficiency. . . The conclusion is inescapable: *Iron Fireman is one of the safest and most profitable investments in plant equipment that management can make.*

### **Free Survey Gives You Facts**

You'll want to know how much Iron Fireman can save you. Your Iron Fireman dealer will gladly tell you in a survey, with no strings attached. With the figures on your desk, you be the judge as to whether you want to waste what Iron Fireman users are saving. Please check and mail the coupon or call your dealer. Iron Fireman Mfg. Co., Portland, Ore.; Cleveland; Toronto. Dealers everywhere.



Iron Fireman is the stoker standard of value. Hopper and bin-feed models for boilers developing up to 800 h.p. can be purchased on easy monthly payments. Iron Fireman performance records can be secured from nearby owners; ask your dealer for names. Iron Fireman business rating can be obtained from your banker or any credit agency.



**Iron Fireman**  
**The Machine that Made  
Coal an Automatic Fuel**

IRON FIREMAN MANUFACTURING CO.  
3027 W. 106th St., Cleveland, Ohio.

☐ Send Iron Fireman Catalog. ☐ Make free firing survey

Name \_\_\_\_\_

Address \_\_\_\_\_

Boiler Size and Type \_\_\_\_\_

# BUSINESS WEEK

SEPTEMBER 3, 1938

## THE BUSINESS OUTLOOK

**War scares affect stock market and the pound sterling; but, on the assumption that war will not occur, the prospects are bright for continued recovery in America**

**F**EAR OF WAR IN CENTRAL EUROPE has been the dominating influence during the past week. The dip in the pound sterling below the old par of \$4.8665 for the first time since 1935 and the reaction in the stock market were the most striking results in the market places. No one in America and possibly no one in Europe knows whether war is coming, but for purposes of this business forecast it will be assumed that it is not—in other words, that the apparent expectation of the British government that it will be drawn into a conflict will serve to forestall its outbreak. If this analysis proves correct, the "race" between outbreak of war and domestic business recovery is going to be resolved in favor of the latter. The prospects continue good, therefore, for further business gains.

### Steel, Freight, Power

The current indexes still show no signs of any breaking off in the forward movement. Steel operations this week, at 44% of capacity, are about twice what they were at the July 4 low, although down nearly 50% from a year ago. Eight of the past nine weeks have shown a gain, according to the estimates of the American Iron and Steel Institute. Freight carloadings last week continued their autumn rise, making a new high for the year 1938 if the preliminary figures do not prove deceptive. Electric power production was practically unchanged.

### Comparing Auto Output

Automobile production was the one important current series for which last week showed a drop. The 1938 low point had been established at approximately 14,000 cars in the week ending Aug. 13. The following week activity jumped to 24,000, but last week it was off again to 19,000. These fluctuations reflect the contrasting influences of the tapering off in production of 1938 models, lay-offs for inventory taking, and the beginning of 1939 model assemblies. Within a week or two this

last factor will be important enough to dominate the trend, and the production of cars should increase steadily.

### Motors and Recovery

A note of caution has been injected by the chairman of General Motors, who points out that the industry is now in a "blind spot between seasons," and that an optimistic or any definite forecast of sales is impossible. If general business improves, he feels that the motor industry will improve with it. While this view is undoubtedly correct,

there are reasons to hope that the industry will contribute its full share to the recovery. The reduction in stocks of both new and used cars is reaching a point where consumer demand will be directed to the newly produced 1939 cars themselves, and at the same time the style changes made in the new models are believed to be sufficient to attract a considerable demand.

### Outlook for Construction

Another heavy industry which should contribute its full share to the recovery is construction. The figures on contracts awarded in the first half of August, tabulated by the F. W. Dodge Corp., indicate that the trends established in June and July are still under way. Residential building was 17% better than the year before, as opposed to a gain of only 8½% in the month of July. This improvement is really explained by the fact that August showed a more than seasonal decline in 1937, but the trend is nevertheless satisfactory. Bearing in mind that contemplated residential building, as reflected both in mortgages selected for appraisal and in those accepted for insurance by the Federal Housing Administration, is far ahead of 1937, the outlook for this branch is distinctly bright.

### As PWA Speeds Up

The other branch of building for which prospects are good is public works. The Aug. 1-15 total is 4% below a year ago, as compared with a 25% gain shown in July. The outlook, however, is dominated by the PWA program, from which heavy contracts are to be expected in the autumn, winter, and spring. Announcements from this source indicate that the great bulk of the emergency money has been allocated, and that the process of actual construction will be speeded up to the best of the agency's ability.

### Investors and Building

The one branch of building which still lags is private non-residential con-

### In The Outlook



European

**"FEAR OF WAR** in Central Europe has been the dominating influence during the past week. The dip in the pound sterling below the old par of \$4.8665 for the first time since 1935 and the reaction in the stock market were the most striking results in the market places." Over this inevitable introduction to the Business Outlook this week falls the shadow of a man. What he says at Nurnberg next week will determine the world outlook for a long time to come.



## Rail Wage Issue

**COLLAPSE OF RAIL WAGE MEDIATION** puts the 15% wage cut squarely up to the President and is likely to create some industrial nervousness during the next few months. The carriers indicate that they won't fight a strike, which means that if the workers vote to walk out, there just won't be any railroads. That may stimulate some forward ordering to beat the very remote possibility of a nation-wide tie-up.

After union members take a strike vote, the President will appoint a fact-finding commission to make a report on the justice of the issues. That will prorogue a strike or wage cut for some 60 days more, will bring the issue up around Election Day (*BW—Jul 30 '38, p. 7*). Neither side is likely to fly in the face of the commission's report; hence, a strike is improbable. In the meantime the union tactics are perfectly plain: to stall for earnings improvement.

struction, which ran 54% behind 1937 in July and 48% behind in the first half of August. A sustained period of business prosperity inevitably requires considerable activity in this field, and activity in this field depends basically on the strength of the profit incentive and the confidence of investors. These are long-range problems which have yet to be tackled.

## Fight "\$30 Every Thursday"

**California business men, aroused to danger of pension plan, okayed by court for November referendum, organize attack. Primary shows power of "scrip tease."**

DECISION of the California Supreme Court this Wednesday upholding the legality of the November referendum on the \$30-every-Thursday pension plan will call forth an aggressive, and costly, campaign during the next eight weeks by opponents of the plan. They've been so busy kidding the measure since it was first introduced that the necessity for putting on a serious fight against it comes somewhat as a shock.

Power of the pension plan, placed on the ballot as a result of the petition signed by 700,000 persons, was amply demonstrated in the primary vote which just preceded the Court's decision. Sen. McAdoo was defeated for renomination by Sheridan Downey, who used the pension plan as his major campaign plank. And if further evidence were needed of the appeal of the "Ham and Eggs for California" program, as the pension plan is called by its backers, surveys completed last week showed that if the vote were to be taken immediately, the idea would win hands down.

Policies and methods for the fight were laid down this week at hurried conferences in San Francisco and Los Angeles. The California State Chamber of Commerce will head the campaign, although it will work chiefly behind the scenes at raising money and preparing factual ammunition for

the various citizens' committees that will function up front on the firing line.

The screw-loose features of the latest California scrip-tease, as critics dub the \$30 plan, will be pounded home to two groups especially—the state and municipal employees who, if the proposal wins, would get 50% of their pay in warrants, and the pension-minded citizens. Incidentally, the job of winning over the latter class will be about 1000% easier as a result of President Roosevelt's condemnation of the funny-money scheme. California pensioners are decidedly pro-Roosevelt, as was demonstrated in 1936 when Dr. Townsend tried to swing his organization back of Landon and found himself almost without an organization to swing.

### Operation of the Scheme

The California State Retirement Life Payments Act, as the measure is officially titled, is a super-colossal Hollywood reproduction of the unhappy "Prosperity Certificate" experiment attempted in 1936 by "Bible Bill" Aberhart, Premier of Alberta, and it operates on the same principle.

An administrator is set up authorized to print and issue serially-numbered "Retirement Compensation Warrants" in one dollar denominations, of which at least 30 are to be given every Thursday to citizens over 50 not gainfully employed. On the back of each warrant there would be 32 dated spaces where two-cent "warrant redemption stamps" would have to be placed by persons or firms who had the warrants in possession on Thursday each week. Stamps would be bought with real money which would be deposited in the administrator's warrant redemption fund. A year from date of issue, if \$1.04 has been affixed to the warrant, it would be redeemed by the administrator for \$1.

State, county, and city purchases and salaries, up to 50%, would be paid in warrants and municipally-owned water, gas, and electric enterprises would be obliged to accept the paper in payment of bills.

If the plan wins in November, the antis will fall back on two major lines of defense. They will (1) attack the constitutionality of the measure on the ground that it violates that section which prohibits a state from making anything but gold and silver a tender in payment of debts, and (2) they

## They Become the Stock Exchange's Senior Members



HARRY CONTENT

FREDERICK H. PRINCE

**WITH THE RETIREMENT**, after 56 years as a member of the New York Stock Exchange, of Henry G. S. Noble—who last week announced that he intends to turn his seat over to his grandson, Henry Stebbins Noble—the two men above become the senior members of the Exchange. Mr. Content, partner of H. Content & Co., was admitted to the Exchange in October, 1885. Mr. Prince, the Boston financier who is chairman of the board of Armour & Co., was admitted two months later.

Acme, Wide World

would refuse to accept warrants in exchange for goods and services.

Californians are having a good deal of pencil-and-paper fun figuring out the mathematics of the scheme. About 811,000 persons in California could qualify under the plan to receive "\$30 a week for life." This means a weekly issue of 24,300,000 "dollar warrants" or some 1,265,000,000 annually. To redeem them, \$1,518,000,000 a year would have to be paid into the administrator's stamp fund. That's about double the amount California residents pay annually in federal, state and local taxes.

### Analyzing the Effects

Every "dollar warrant," to become self-liquidating, would have to turn over 52 times a year. The minimum gross volume of "new business" transactions in warrants, to make the 1,265,000,000 warrants turn over 52 times annually, would be \$65,780,000,000. Incidentally, the present annual gross receipts of business enterprises in California come to about \$12,000,000,000 and personal net income of residents to \$3,700,000,000. The real money in circulation in the state is about \$325,000,000. If the plan should go into effect,



**PACT IN BLOODY HARLAN**—Union miners and their wives and children shouted and sang in jubilation because the Harlan County (Ky.) Coal Operators Association had finally signed the United Mine Workers' standard contract.

the amount of warrants in circulation would be more than two and a half times California's proportionate share of the total national currency.

## Prepares United Employer Front

**That's Roger Lapham's strategy in San Francisco, the scene of a spectacular lockout. And meanwhile Lewis and Martin split the U.A.W. and C.I.O.**

ROGER DEARBORN LAPHAM and John Llewellyn Lewis and William Green and Homer Martin—one business man and three labor leaders—played big parts in the labor struggle this week, a week of exceptional labor news:

(1) The split in the Auto Workers' union and in the C.I.O. widened. Going over Martin's head, John L. Lewis wrote to all the locals of the United Automobile Workers, urging that the four expelled officers and one suspended officer of the U.A.W. be reinstated, that the fundamental dispute be finally settled at the next convention of the U.A.W., and that, meanwhile, all controversies be submitted to the C.I.O.—meaning Lewis—for settlement. Martin withheld the union's per capita payments to the C.I.O. and, in a radio speech, asserted that acceptance of the Lewis plan would make Lewis a dictator.

Probably the anti-Martin forces will form a new union, and Martin will either lead the U.A.W. back into the A.F.L. or will stand with David Dubinsky's dressmakers midway between the A.F.L. and the C.I.O.

(2) The Harlan County (Ky.) Coal

Operators Association signed up with the United Mine Workers. In return the union agreed to drop its Wagner act complaint. Immediately William Green charged "a deal" with the National Labor Relations Board and hinted that the Department of Justice would also withdraw the criminal case in which a jury recently disagreed. The department denied this.

(3) Sen. Robert F. Wagner of New York, sponsor of the Wagner act, appeared at a meeting of the executive council of the A.F.L., listened for two hours to complaints that the NLRB had favored the C.I.O., and promised to study all the charges. The A.F.L. wants to amend the Wagner act so as to strengthen craft against industrial unionism.

### Warehouse Owners' Strategy

(4) A spectacular lockout in San Francisco emphasized the recurrent labor disputes there. Last week the Association of San Francisco Distributors (warehouse owners), tried to force a showdown with labor.

Roger Lapham disapproved of this. Born in New York nearly 55 years ago,

and graduated from Harvard in 1905, Roger Lapham is a heavy-set, white-thatched industrialist—president of the American Hawaiian Steamship Co. and the chief figure in the Waterfront Employers Association. He is also chairman of the board of the Industrial Association of San Francisco, which vigorously opposes the showdown idea. And he is vice-president of the Committee of Forty-three, composed of leaders of San Francisco banking, industry, and commerce.

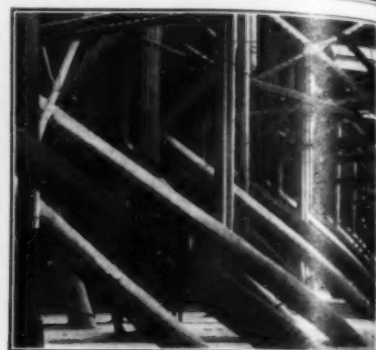
Contracts between the warehouse owners and the Warehousemen's Association, which is affiliated with Harry Bridges' longshoremen, have expired within the past few months. There have been negotiations for renewal; and meanwhile the men have continued working. But there have been two strikes—at the F. W. Woolworth and Hiram Walker warehouses. The Employers' Association wanted a single contract with the union, with a single expiration date, so that the union could not pick the employers off, one at a time. The union refused. Finally the association loaded a freight car at the Woolworth warehouse, using non-union men, and then moved the freight car to another warehouse. Union men refused to unload it. At once the warehouse shut down. The car moved on to other warehouses. Same result. By this means, at last, practically all large dry goods, drug, liquor, grocery, and hardware warehouses had locked their employees out.

But on Wednesday the Committee of Forty-three prodded the warehouse owners into a truce, and the "hot cargo" freight car was sidetracked.

Meanwhile several big A.F.L. unions



**MONTREAL, AMERICA'S GREAT WHEAT PORT**—Something like 75,000,000 bu. of wheat will move down the St. Lawrence this season, according to latest estimates, most of it to be handled by Montreal's great grain elevators before being shipped abroad.



At the left, a general view of the harbor's facilities. At the right, the interior of one of the elevators, showing the system of tubes through which grain is routed around, eventually to waiting ships.

—including the Retail Department Store Employees, Shoe and Textile Salesmen, Grocery Clerks' Union, and the bartenders—had disputes concerning new agreements. The employers fought to prevent the negotiations from being stalled into the Christmas season.

This week Roger Lapham came out with his formula: A united front of all employers, by means of a supreme federation, to match the Central Labor Federation. Each industry would have

what the Waterfront Employers Association now has—"a standard contract with a uniform expiration date. We can suspend it for all companies if the union violates it against any one company," said Mr. Lapham. Thus the employers could effectively and directly use a lockout, without violating the Wagner act.

Such is Roger Lapham's plan, for which its supporters will fight carefully, avoiding a showdown with labor in the meantime.

## Cagey on Wheat, despite Subsidy

**Grain markets are not convinced that American export bounty will raise and stabilize the domestic price. Other countries have big surpluses.**

GRAIN MARKETS in the United States responded with one brief burst of enthusiasm to the government's new export-subsidy program for wheat—and then got queasy again. The grain trade, even after a big conference with Department of Agriculture bigwigs in Washington, just doesn't know what to make of things.

### AAA Tells How

The Agricultural Adjustment Administration boys explained in detail. They told how the Federal Surplus Commodities Corp. had borrowed \$30,000,000 from the Reconstruction Finance Corp. This is to be used as a revolving fund. The AAA will indemnify FSCC for losses incurred. FSCC will be in the market now and continuously until 100,000,000 bu. of wheat have been exported. It will buy from producers and others (and arrange to take losses on flour exports) and will resell wheat so purchased to exporters at such prices that the exporters can sell in the world market.

So far, so good. But, as has been the case in many other surplus re-

moval programs, the grain people didn't know which way to move until they saw what the effects of the plan would be. They didn't know if the pressure of subsidized exports—from France and Rumania and Poland and Canada and the United States—would knock the pins out from under the world price. They had no idea if loans to producers to carry excess supplies remaining in this country would be sufficient to buoy the domestic price.

The Department of Agriculture's firm intention is to appropriate, by one means or another, 18% of the year's world trade in wheat. The United States got 20% in the 1937-38 wheat year, the first time this country has exported enough to mention since 1933. From 1920-29 the United States share in world movement averaged about 25%.

The plan, without quibble, is an answer to Canada's export subsidy. The Dominion proposes to buy from farmers at 80¢ a bu., resell for what it can get in the world market, and pocket the loss or rebate to farmers the profit (at present prices it's all

loss). The United States proposes to buy wheat at going prices in this country and move it into world trade channels—and doesn't even talk about the possibilities of profit.

The United States has something like 1,100,000,000 bu. of wheat, which means a surplus of 400,000,000 bu. over domestic requirements. Canada will have about 350,000,000 bu., including new crop and a small carry-over, which means a surplus of about 250,000,000 bu. The two countries together could supply all the importing nations of the world and have at least 100,000,000 bu. left over and above domestic needs.

And that reckons entirely without other exporting countries. Rumania, for example, will be a difficult competitor. This Balkan state has offered an export bonus of 23½¢ a bu. That's tough to meet, for Rumanian exporters can shade the world price as deeply as they deem necessary within that 23½¢ margin. The subsidies provided in the United States and Canada will be hard put to it to meet that kind of competition. Not to mention the fact that Argentina will be along directly with about 175,000,000 bu. of exportable wheat and a strong will to subsidize those exports.

### A Big Carryover, in Any Case

All this gives some idea of why grain traders aren't anxious to bet on a rise in domestic wheat prices, war scares notwithstanding. They know the United States will have a carryover of about 300,000,000 bu. of wheat at the start of the new crop year next July 1 even if 100,000,000 bu. are sold abroad prior to that date. And they aren't yet convinced that the AAA can achieve its "goal" of 55,000,000 acres planted to wheat for harvest in 1939 (81,000,000 acres were planted for harvest in 1938, and the cut is pretty drastic even allowing for the handsome inducements offered by the AAA for curtailed plantings).



# Fixing Aviation Rates and Wages

Civil Aeronautics Authority studies air lines' losses.  
Walsh-Healey board will hear pleas on factory wages.

THESE ARE "BOOKS-OPEN" days for the entire aeronautical industry. The new Civil Aeronautics Authority, which took office Aug. 22, is plunging into a study of rates, economics and finance—not only of the country's air lines, but also of all the non-scheduled operators scattered around the nation's 1,900 municipal or commercial airports. To make the soul-baring complete, the Public Contracts Board will open hearings under the Walsh-Healey act Sept. 8 to set a minimum wage requirement for all manufacturing units at work on government orders.

The Authority's task should be the longer one. In fact, while some results may be expected by the first of next year, studies of rate-scale changes should continue indefinitely into the future. Yet need for some upward revision of payments for air mail transport becomes daily more apparent.

Passenger traffic growth, which many thought would by this time have the lines up out of the red, has proved disappointing. Total passenger-miles flown during the first half of 1938 reached 209,200,000. That represented an increase of 19.6% over 1937. But traffic carried in June was 2.4 per cent below June, 1937, and traffic in July dropped to 7.3% below 1937 levels. To carry even this much traffic, the lines have had to increase schedules and mileage flown to such an extent that percentage-of-seats-occupied figures look even worse than direct passenger traffic returns. Worst-looking of all are current six-months' financial statements. United Air Lines has reported a loss of \$910,702 and Dow-Jones has estimated a loss for TWA of about the same amount. Both, therefore, almost doubled their losses for the first half of 1937.

## Lines Point to Mail Figures

The air lines base arguments for higher mail pay on a great deal more than the old plea that the government ought to help "such a priceless asset to the nation's business and defense." Air mail traffic has grown so steadily that by last year the Post Office Department's income from air mail was at least equal to all payments to domestic air carriers. This year air mail traffic is an approximate 15% ahead of 1937, yet payments to contractors have scarcely risen at all. Specifically, the big transcontinental systems, currently the heaviest financial losers, have long been able to show that the government makes money out of their mail contracts. Yet it pays them less per ton-mile carried than it does any other operators.

The Public Contracts Board should be soon through with its aeronautical work. After extensive hearings last spring, the board recommended a minimum wage of 60¢ cents an hour, with the proviso that not more than 15% of a factory's workers might be paid down to 40¢ an hour as "learners."

## Industry's Reply on Wages

Exercising its rights under the act, the industry demanded further hearings. It points out: (1) Its average wage is already 70.4¢ per hour—far higher than many American industries. (2) To comply with the 60¢ ruling would require more than a mere boosting of wages for the approximate 30% of workers now receiving less. To maintain skill-differentials, it would be necessary to readjust all wages above that level as well. (3) Such readjustments would up aggregate wage costs by 5 to 10% and increase the cost of finished aircraft by about half that ratio. This, the manufacturers hold, is unfair in an industry which last year averaged about 8% of sales revenues as profits. It claims its government contracts are so numerous that the increased costs would have to be extended to transport and export orders to avoid ruinously complicated bookkeeping and labor agreements.

But most observers think the board's recommendations will stand—the industry is simply riding too big a boom to make its hardship story stick. Last year's total output of planes and engines reached \$115,000,000. Total aircraft exports hit \$39,400,000. Both were peace-time records. Yet figures for the first half of 1938 show production is running 46% ahead of last year and that exports are no less than 128% better than 1937's record-setting figures.

Military production is leading the way. Six months' figures show an output of 711 military planes worth \$29,158,603, almost \$17,000,000 more than the 261 made in the first half of 1937.

Transport plane figures, on the other hand, are almost identical with last year's records—93, worth \$6,978,167, as against 97, worth \$7,425,366. Production of single-engined planes for private flyers and non-scheduled commercial operators is actually substantially below 1937, especially in dollar value—thanks largely to the recession. There were 837 such planes, valued at \$1,812,390, against 933, valued at \$3,342,314. But since these classes will be affected by a board ruling only indirectly, their comparative lack of prosperity will have little weight in the Sept. 8 hearings.

## Companies Report Profits

To top off the good estate of the country's biggest airplane and engine producers, most of this year's production is on models already written off in the development accounts. Witness

## Smallest Plane for National Air Races Comes to Grief



**B**UILT, in spare time, by five employees of Consolidated Aircraft Co., this world's smallest racing plane was to be a competitor in the National Air Races at Cleveland, Sept. 3-4-5. But, after qualifying, it lost its propeller and crashed, forcing withdrawal. Weighing but 430 pounds, the plane has a wing-spread of 13 feet, is 12 feet 6 inches long, and 3 feet 10 inches high. It boasts retractable landing gear, has a 90-horsepower motor, and a top speed of 235 miles per hour.

Wide World

Curtiss-Wright's profit for the six months ending June 30 of \$2,181,862, against a year-ago profit of \$900,597; United Aircraft's profit of \$2,421,711 against \$1,688,055; Douglas earnings (for six months ending May 31) of \$1,093,149 compared to \$525,822 earned during the first half of 1937.

### Government Jobs Increase

ONE PERSON IN EVERY 16 holds a regular job with the federal government or a state or local government, according to the National Industrial Conference Board. Between September, 1937, which was the recovery high, and June, 1938, while total employment in the United States was dropping by 3,340,000, government employment increased by 79,000. Between the prosperity peak of 1929 and June, 1938, total employment declined by 4,930,000, but government employment rose from 2,070,000 to 2,590,000—an increase of 25.1%. The number of regular federal employees in June, 1938 was 1,194,000, or 43.3% more than in 1929.

## What the New Cars Will Be Like

There are many styling changes, and a lot of attention has been paid to comfort and economy. Price question can't be answered yet.

GOSSIP REGARDING forthcoming automotive developments—always mental pabulum for Detroiters—reached its annual apogee during recent weeks as manufacturer after manufacturer unloaded final 1938 assembly line gleanings.

As usual, different rumor mongers are painting the representative 1939 automobile as anything from a kaleidoscope of mechanical Goldbergiana to a Cinderella-ized Model T.

Between the extremes, of course, lies the right answer. Still gathering storage dust are the rear-engined cars, the automatic transmissions, and other radical departures that have been held in abeyance for so long.

On the other hand, 1939 will bring about the disappearance of the last ves-

tiges of such industry-old standbys as the floor-mounted gear shift lever and hand brake, mechanical brakes, etc. Running boards, retained in recent years mainly as a protection against gravel scratches on rear fenders, are still present in name if not in fact, as the widening of seats has fattened car bodies to oversize belt measures.

Radiators, once the outstanding external appearance characteristic of automobiles, have been relegated to purely functional considerations, within some cases—not even Chic Sale embellishments to indicate their presence. Grilles, once provided as a protection against radiator injury by flying stones, etc., are now mainly decorative trademarks to distinguish one car from another.

### Helping Along Die-Makers

The styling trend, as long as it lasts, of course, is a godsend to die-makers and producers of die steels, to the zinc industry and producers of die-casting equipment—and to advertising departments which do not have to look beyond their noses for proof of 1939 newness.

Headlamps, whose streamlining has bothered the wind-tunnel theorists for some time, have solved the problem by gracefully retiring into front fenders, leaving the repairman to do the worrying about glare when a fender is hooked by a passing bumper or standpat tree.

The net result is that the front ends of automobiles are beautifully "clean" in appearance. The bodies follow a similar trend. Rear ends are tapering out to satisfy the demand for more and more conventional streamlining, although it does have a tendency to reduce luggage space.

### For "Stretch-Out Comfort"

Inside the cars, comfort is the keyword. 1939 automobiles are built to stretch out in, and to eliminate back-seat drivers by making room in front for three. Biggest help here is the cleaning up of front compartments. Shift levers are on the dash or on the steering column, emergency brake handles on the dash. Instruments are higher up so that they can be more easily seen. Here, numerous minor innovations are expected.

Mechanically the cars represent mainly refinements established as desirable during the past year. There has been some search for improved economy. Modifications in alloys and treat-



**BYERS**  
**WROUGHT IRON**  
increases salability  
of water pump

Products subject to corrosion, such as water pump equipment, septic or other tanks, sub-way transformers, smokestacks and ducts, can be given longer life and increased salability by using Byers Wrought Iron. For example, a leading pump manufacturer uses Byers Wrought Iron for the shafts and columns—improves his product and lifts it above ordinary competition. "101 Uses for Wrought Iron," illustrated, sent on request. Our field and laboratory engineers are at your service. A. M. Byers Company. Established 1864. Pittsburgh, Boston, New York, Philadelphia, Washington, Chicago, St. Louis, Houston, Seattle, San Francisco.

**BYERS**  
GENUINE WROUGHT IRON  
TUBULAR AND FLAT ROLLED PRODUCTS  
Specify Byers Genuine Wrought Iron Pipe for corrosive services and Byers Steel Pipe for your other requirements.

ment should improve the life of many minor parts such as valves, bearings, piston rings, etc. A new type of "over-drive," which makes it easier to shift down from over-drive into direct when desired, will be found on a number of cars. Coil springs will be found on the rear also of at least one automobile, while several more cars have joined the knee-action parade. Plastics have gained in poundage per car.

On the whole, however, the 1939 automobile sales races will depend more on who proves to have been the best guesser on minor styling questions—and on the stability, activity, and business ability of the various dealer organizations.

### Looks for Volume Rise

The industry's offerings epitomize the industry's judgment as to the immediate future. It expects an increase in volume (Chrysler's K. T. Keller estimates between 2,750,000 and 3,500,000 cars as against 2½ million 1938 models). But it certainly isn't willing to gamble on the possibility of boom business to the extent of going overboard on tooling costs.

In reserve it still holds the smaller cars (Chrysler's four, Ford's 100 in. wheelbase, Chevrolet's economy car, Nash's four, and others). These it may decide to spring between show-time (Nov. 11) and next spring, if business picks up faster than its own prognosticators divine. On the other hand they may never see the light of assembly line inspection lamps.

### Industry's Price Problem

Right now the favorites and the field alike are jockeying for position. Whether or not to beat the other fellow to the announcement gun or wait until he has fired his first volley to get a better aim has always bothered car manufacturers. This year the problem is more acute than for quite a while. Over the industry's head hangs a price cloud. It might pass over, but the chances are that a random shot will start at least a drizzle—if not a hail—of price reductions to keep in line.

Since Ford usually sets prices for the rest of the industry when he sets his own, there isn't any hope for an immediate answer to the price question. Ford undoubtedly will be among the last to announce his new models, in spite of the fact that some parts production is already under way.

And manufacturers dislike a temporary price structure. Revisions always entail adjustments with dealers, rebates on cars in stock, dissatisfaction among early purchasers of new models, expensive revisions of advertising copy and literature, changes in accessory equipment to retain some elements of the original gross-profit margin, etc.

## Junks Solve a Ford Delivery Problem in China



**I**N WARTORN CHINA, American automobile manufacturers have encountered difficulty in landing shipments of new cars. Most of the harbors are closed to steamships, and age-old junks are used to ferry in the cars. The picture shows coolies unloading a new Ford V-8 from a junk in the harbor of Tsingtao (province of Shantung) on the Yellow Sea. The automobile was shipped from the Ford Motor Company Exports, Inc., at Shanghai. Coolies got it into Tsingtao after it had been ferried to the sand beach near the city.

## TVA Hails Knoxville

**City buys power company, and the Authority gets its largest municipal customer.**

ANOTHER MILESTONE in the relations of the Tennessee Valley Authority with the privately owned electric utilities was passed this week when public ownership became a formal fact in the city of Knoxville. It is the first case in which a private company has been bought *in toto* (exclusive of traction lines), it gives TVA its largest municipal customer to date, and it again calls attention to deadlocked negotiations of other companies to sell out to TVA if they can get any kind of a price.

Formal delivery of the Tennessee Public Service (Electric Bond & Share family) properties to the city took place on Wednesday. The previous afternoon the municipality had arranged to meet its financial obligation in connection with the purchase when it sold an issue of \$6,000,000 worth of bonds—a debt to be serviced entirely from electrical revenues and not a general obligation of the city.

Consummation of the deal was the occasion for local fanfare, not the least of which accompanied the announcement of a 40% rate reduction in accordance with TVA's yardstick. Knoxville's contract with the TVA allows the city to regulate rates without state sanction. Charges for electricity may be hiked if

the municipal project fails to support itself.

Knoxville's purchase of the private company serving the city for some time was viewed as a precedent for cooperation in the TVA area. The company, though small, was well on the way toward becoming a famous "first." However, recent negotiations between Tennessee Electric Power (Commonwealth & Southern) and TVA have dimmed hopes of purchase of large properties at going values.

The Knoxville properties, to all practical purposes, comprised distribution lines without generating facilities. That's ideal for TVA—the properties can be bid in and tied onto the Authority's transmission lines.

### Generators Alter Situation

But Tennessee Electric Power has valuable generating plants. TVA hasn't shown any interest in buying them—it has big generating plants of its own and is still busy building more dams and power plants. Thus the day when municipal ownership will come peacefully to cities like Chattanooga and Memphis is not yet.

Purchase of existing properties from private companies has a financial joker in it for municipalities. The Public Works Administration will finance erection of municipal systems on a 55% loan and 45% gift basis. But it won't finance purchase—and there goes the juicy 45% gift incentive.



## A Texas School Teaches Television—A New York School Teaches Food Distribution



**I**NTERESTING EXAMPLES of how education is keeping pace with business and industrial development: At the left, students in the Dallas (Texas) Technical High School attend a class in television, first such course offered by a public high school. No effort is made to "sell" students the idea that commercial television is just around the corner. Rather, they are given fundamentals that will be valuable for research work or



Globe, Wide World

for getting a technical job when, and if, television comes of age.

At the right, two instructors look over a classroom of the Food Trades Vocational High School, New York City, which will open Sept. 12. Purpose of the school, which will have an enrollment capacity of around 700, will be to teach modern methods of keeping grocery stores, butcher shops, bakeries, cafeterias, and tea rooms.

## Movies Begin Million Dollar Drive

**Industry undertakes joint campaign to lure the customers into the theaters. Newspaper ads and a \$250,000 quiz will take most of the money.**

**T**HIS WEEK, for the first time in its 49 years of existence, the motion picture industry got together and launched a drive to sell motion pictures to the Great American Public (*BW—Jul 30 '38, p.39*). Not Paramount Pictures or Glotz Productions, or M-G-M Pictures—but all the pictures of all the studios. And the industry was forking out \$1,000,000 to do it.

### A Campaign Is Born

The idea for the drive originated with the motion picture exhibitors early this summer. Business was bad. Pictures were worse—and scarce too. The 75,000,000 people who were supposed to pile into the nation's movie houses every week were staying away in droves. The industry as a whole was sliding downhill at a faster rate than general business, showed less sign of coming back. Exhibitors finally called on distributors for help. But both groups, admitting they couldn't do anything about getting people into the theaters if they didn't have the product, put their troubles up to the producers. Out of their joint meetings came the germ of the current campaign.

The campaign is known as "Motion

Pictures' Greatest Year," and its slogan is "Motion Pictures Are Your Best Entertainment." (This was originally "Movies Are Your Best Entertainment" until some wiseacre noticed that the first letter of each word spelled out MAYBE.) Motion picture producers (Columbia, M-G-M, Monogram, Paramount, RKO, 20th Century-Fox, United Artists, Universal, Warner Bros.) have coughed up \$500,000 for the drive, while distributors and exhibitors have each contributed another \$250,000—the theater owners paying their share at the rate of 10¢ a seat. Donahue & Coe created the whole campaign, but six other agencies, servicing individual picture producers, will collect the 15% commission on the funds paid in by their clients.

### Lion's Share to Newspapers

The \$1,000,000 ad budget is being split three ways, the largest part (\$600,000) going into a newspaper campaign. Starting this week three-quarter page ads will run in 1,594 newspapers through September. Then smaller ads will be run until the appropriation is used up.

Another \$250,000 of the budget goes

into a nationwide Movie Quiz. This covers 94 pictures which the studios will be releasing in August, September, and October. In connection with previews of coming attractions it is being suggested to audiences that it would be a good idea to see the pictures in order to have a better chance in the contest. Moviegoers pick up their quiz books at theater box-offices, and must answer detailed questions concerning 30 of the pictures, as well as write the inevitable essay on "What Picture I Liked Best Because," to qualify for prizes ranging from \$10 up to \$50,000.

### Stars Make Movie Trailers

The remainder of the budget goes into a series of movie trailers and general "exploitation"—theater banners, lobby displays, stickers, tire covers, and what not—which will plug the contest, and carry along the theme of the campaign. Stars from the various studios are giving their services free to the making of the trailers.

Though radio and magazines don't have a look-in on the campaign, there's some talk of making it an annual event—in which case these media might have a crack at it in the future. For the present, though, the movie industry says it will "request the radio industry to cooperate"—a statement that caused the general manager of station WDAS, Philadelphia, to remark, "WDAS will definitely not cooperate except at card rates" (*BW—Aug 20 '38, p.43*). The industry, consequently hasn't much hope

of cracking the big-time networks but it hopes the instructions given theater managers on how to needle plugs into news broadcasts over local stations will bear fruit.

The first of the movie industry's newspaper ads, which were running this week, show the folksy, heart-to-heart-talk tone which the industry is using to get people back into the movie houses.

### To Please Joe Doakes

"Joe Doakes and his girl want the Earth . . . and they get it!" is the headline on a typical ad, and there's a photograph showing "Left to right—Joe Doakes and his girl, Marge—(good going, Joe)." Copy generally met with exhibitor approval:

With Joe Doakes and his girl things aren't so hot. Work hasn't been regular, and wherever you look there's plenty of trouble. They've been pushed around a lot, and they're bewildered because things just don't seem to add up any more.

"Come on, Marge, let's go to the movies!"

Once inside the motion picture theater everything is changed for them. There Joe Doakes is boss. He has paid his money and what he says goes.

The whole world is brought to them, while Joe Doakes holds his girl's hand and sits back in enjoyment.

Maybe it's a hot swing band they want. The movies have searched the dance spots and brought it to them. Perhaps they want a swell adventure story—Khyber Pass, Bengal Lancers, and all that. The movies have it. Or a homely, touching story of everyday folks. There it is, and Joe and the girl friend have a grand time.

Whatever they want, the movies get it for them. Cameramen go into darkest Africa or wander over the bleak Arctic to get authentic settings.

The writers of the brightest comedies take them into the drawing rooms of the wealthy (and, boy, are they drawing rooms!).

The best dance teams in the world float before their eyes and Joe feels all feet, while Marge almost swoons. And if, by any chance, it's love they want. . .

Don't fool yourself—the entertainment of Joe and Marge is the movies' job, and the movies are doing that job extremely well.

### Start Season Hopefully

As far as Joe Doakes is concerned the movies do a good job just as long as they give him good pictures. After one of the leanest spring and summer seasons in the industry's history—a season in which he got mighty sick and tired of warmed-over revivals and rehashed third-rate fillums—Joe seems to be pretty well pleased with the early fall pictures. The studios are bringing out their best pictures, as usual, to start off the new movie season. The box-office tills are ringing. Exhibitors are smiling, and Joe and Marge have to get in line around the corner to see the picture. That's a situation the industry hopes will continue throughout the year.

## MARKETING ANGLES

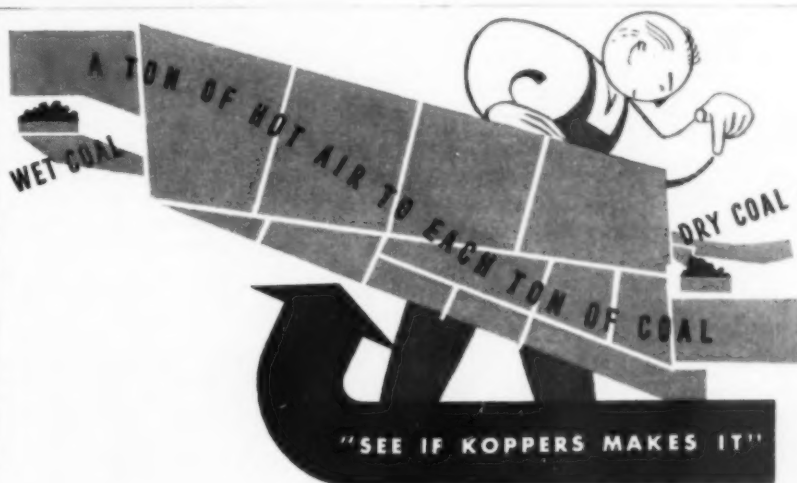
### TOWNSENDS ANSWER GOODE

THOSE TOWNSENDS are here again. Last month *Advertising & Selling* carried an article by Adman Kenneth Goode on "Evaluating the Townsends." W. S. Townsend, on request of A. & S.'s vice-president, promptly dispatched a reply to the Goode article, which was turned down. This week the Townsends bought themselves three pages in *Advertising Age* to run the reply which charged that Mr. Goode had taken the attitude of "entrenched tradition," that he had forgotten he once said in a letter that the Townsends' method had established a higher score of correctness on a set of test advertisements than any other, that

he had descended into the smelly pit of gossip by believing that the 27 points published by *Space & Time* (BW—Jun 25 '38, p. 26) were the original Townsend points, and that advertising men generally, including Mr. Goode, "have seen so many campaigns prove worthless that they are sold—sold—sold on uncertainty" and want to stay sold.

### NICKEL BOTTLE OF BEER

EDELBRAU BREWERIES of Brooklyn have brought out a seven-ounce bottle of beer to sell for a nickel, meet the potent soft drink competition in New York. This is the smallest bottle of beer any brewers ever tried to market—California



Coal of the smaller nut sizes retains an appreciable amount of surface moisture after it has been washed. The Koppers-Rheolaveur Company has developed special drying equipment to remove this moisture.

The coal is delivered to a large sloping shaker screen, and passes down this screen in a thin bed. Hot air from a furnace blasts over and through the moving stream of coal, at the rate of a ton of air to a ton of coal and carries off the moisture.

Write for the Koppers-Rheolaveur folder on the Buckheart Mine which illustrates this and other Koppers equipment for cleaning and drying coal.

KOPPERS COMPANY • PITTSBURGH

"SEE IF KOPPERS MAKES IT"

BOILER AND POWER PLANTS • CASTINGS • COAL AND COKE • COAL CLEANING PLANTS  
• COKE AND GAS PLANTS • CREOSOTE • DEHYDRATION PLANTS • D-H-S BRONZE • FAST'S  
COUPLINGS • WESTERN FIRE HYDRANTS • INDUSTRIAL CHEMICALS • MUNICIPAL INCINERATORS  
• PISTON RINGS • PLATE WORK, TANKS • PURIFICATION SYSTEMS • RECOVERY PLANTS •  
SEWAGE DISPOSAL EQUIPMENT • SHIPS AND BARGES • ROOFING • TARMAC ROAD TARS  
• TAR PRODUCTS • TREATED TIMBER • WATER GAS GENERATORS • WATERPROOFING • VALVES

K O P P E R S

having had an eight-ounce bottle at one time.

### FOOD & DRUG CRACKDOWN

REPORTS FOR THE MONTH of July from the Food & Drug Administration indicate an increased tempo in the seizure of adulterated and misbranded goods under the new food and drug law, although that act doesn't become completely effective in all its provisions for some ten months yet. Particularly notable was the seizure of 121 packages of Magic Di-Stik and 275 packages of Lash-Lure. As a result of the seizures Lash-Lure notified the F&DA that it was "ceasing shipments forthwith." The new law owes its place on the statute books in no small measure to Lash-Lure, for horror stories of the ravages reputedly wrought by that cosmetic dye were widely and ably exploited by the Administration in its five-year fight for the law.

### ANOTHER CRUSADING BOOK

INCIDENTALLY, THE BATTLE may be won, but the fight isn't done, and Ruth Lamb, chief educational officer of the F&DA, whose book, "American Chamber of Horrors," exploited dozens of tragic incidents like those in which Lash-Lure was implicated, is hard at work on another *exposé*. This one, which she is doing while on leave from the Administration, will be called "The Devil's Candle" and will focus on the economics—from the consumer point of view—of food and drug regulation.

### STATE FOOD AND DRUG BILLS

THERE WON'T be any more state or local food and drug bills as tough as the one that was introduced before New York City's Council last July (*BW—Jul23'38, p18*)—at least, not if Charles Wesley

Dunn, counsel for the Associated Grocery Manufacturers of America, gets there first. Mr. Dunn is currently preparing a model food and drug bill to be introduced in state legislatures next January—when 35 are scheduled to meet. The Dunn bill, unlike the federal food and drug bill, incorporates the advertising provisions which are now part of the Wheeler-Lea act, will be sent out to individual manufacturers and local and regional groups shortly, so they can work for its enactment.

### HEARST PAPER GOES TAB

EARLIER THIS YEAR W. R. Hearst chopped down his Boston *American* to tabloid size, thereby saving himself considerable money. This week he follows suit with the struggling Chicago *Herald & Examiner*. But the Sunday edition will stay full-size. The *Her-Ex* is to concentrate its future attention on women, go after department store advertising. The price drops from three to two cents, the same as the Chicago *Tribune's*.

## Druggists Swat Dime Stores

Try to prevent variety chains in California from selling proprietary medicines. State Pharmacy Board prosecutes Woolworth and three others.

RETAIL DRUGGISTS of California are attempting to put a crimp in the thriving business which variety chains have built up during the past few years in packaged drug products, and reserve that field exclusively to themselves. At least, that's how most observers interpret the series of prosecutions begun by the State Board of Pharmacy against certain dime-store chains—Woolworth, Newberry, Kress, and Grant—in the Los Angeles county court (*BW—Aug13'38, p43*). In these cases, now at various stages of development, defendants are charged with selling products which the board claims only licensed pharmacists can sell under the state pharmacy law.

The situation is important because, if the board is successful in the courts, it is entirely possible that such products as mouth-washes, gargles, cosmetics, soaps and toilet articles will be

swept off the counters of the 5¢ to 8¢ stores in the Golden State along with the fat profits these articles bring. Considerably embarrassed, the governor-appointed Board of Pharmacy, most of whose members own or manage drug stores, is in the center of the turmoil.

### Action Taken Against Chains

The first gun was fired last June when the board quietly announced that certain "dangerous drugs," under guise of patent medicines, were being sold in Los Angeles dime stores "contrary to the spirit and purpose of the state pharmacy law." On this basis, prosecutions were initiated in the Los Angeles municipal courts against the four big chains.

The W. T. Grant chain was cited for selling Listerine, the Kress stores for hydrogen peroxide, Newberry for Nucoa Antiseptic, and Woolworth for sell-

These Are the New Models of the Rust Cotton Picker



CONSIDERABLY refined and simplified in comparison with the original model of three years ago (*BW—Jun1'35, p16*) are these newest cotton pickers of the Rust brothers, John and Mack. At the left is a single-unit picker, to be hitched to any general utility tractor. The more expensive double-unit picker at the right incorporates its own tractor. It picks a row twice as

it moves along, thus reducing "leavings." Recently, the Rust brothers announced that they intend to apply a large share of their earnings from the pickers to a foundation for the uplift of Southern workers. They plan to limit their own earnings to ten times that of their lowest paid workers. All income above that amount, that they personally realize, will go to the foundation.



ing Presto Corn Remover and Pepsodent Antiseptic. The Woolworth case comes up for hearing next week, but the other cases against Grant, Kress, and Newberry have been discontinued pending settlement of the action brought in the Los Angeles Superior Court by the chains, asking the court to determine whether or not the products are proprietary preparations and hence exempt from regulation by the board.

Specific object of the board's attention at first was "Sekov," a reducing preparation made in Los Angeles, said to contain thyroid. "Sekov" was ruled off the counters of all but drug stores and rural "general stores." The action was taken under terms of the state pharmacy law which permits non-drug stores to sell only "registered, trademarked or copyrighted proprietary medicines registered in the U. S. Patent Office."

### Is It A Proprietary Medicine?

State Attorney General U. S. Webb, asked by the board to state whether "Sekov" was a proprietary medicine as defined in the law, had replied that it was up to the board itself to decide. It was his opinion that "the mere compounding of drugs and medicines (sale of which is restricted to registered pharmacists) into a particular product does not render the product a 'proprietary medicine.'" To be a proprietary medicine, he wrote, "it must either be made by a secret formula or the maker must have some exclusive process of manufacture by which exceptional virtues are imparted to his product as distinguished from other preparations of the same sort." He further declared that "mere registration of a drug, medicine or product in the U. S. Patent Office is not decisive of the question as to whether it is a proprietary medicine." That question, he said, must be determined by the board independently of the question of registration.

### Issue Gets More Tangled

The manufacturer of "Sekov" threw into the lap of the board a few products like Pepsodent tooth paste, Listerine, Bromo-Seltzer, claimed they were purchased in dime stores, and maintained that if "Sekov" wasn't a proprietary, these weren't, either. At that the issue grew by leaps and bounds and became proportionately complicated.

Spokesmen for the dime-store chains, of course, say they're fighting an attempt of the retail druggist to establish a monopoly on the sale of every product containing drugs listed in the U. S. Pharmacopoeia. This, they add, includes such items as paints, liniments, shoe polish, hair tonics, perfumes, lotions, toilet waters, lipsticks, tooth

pastes, tooth powders and soap. Incidentally, they feel that the druggists are exhibiting considerable brass in view of the fact that they have branched out into a wide variety of selling themselves.

## Management Session

**International congress, in Washington, will be biggest of its kind.**

THE BIGGEST BUSINESS MANAGEMENT conference ever held, in breadth of representation, scope of subjects, and international appeal was set this week for the opening bell. From Sept. 19 to Sept. 23, inclusive, the Seventh International Management Congress will be on in Washington. First of the triennial world conferences to be held in the United States, the meeting is expected to draw 2,500 experts in management.

The best-known speakers on these subjects from all over the world will lead the discussions announced by the directing committee this week. All told, there will be more than 200 papers presented at the sessions.

The program is exhaustive in its attempt to cover the most important factors of up-to-date business manage-

ment. General sessions, at which addresses will be paired to present both the American and foreign points of view, will take up such subjects as "Management's Responsibilities to Society," "Psychological Foundations of Management," "The Machinery for Industrial Conciliation and Arbitration in Great Britain," "Influence of Technical Progress upon Social Development," "Reshaping Distribution to Modern Economy," "Coordination of Production and Distribution," "Employee Security as a Responsibility of the State," "The Balancing of Incentive and Security," and "Social and Economic Aspects of Management."

### Technical Discussions Arranged

In the technical discussions, the field is divided into seven broad classifications: administration, production, distribution, personnel, agriculture, home management, and a joint summary session which will be held during the final day. Each section is divided into five parts, one for each day, and six will be running at all times.

The program was arranged by an American coordinating committee headed by W. L. Batt, president of SKF Industries, and represents some two years' hard work. All formal papers for the technical discussions have been printed

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FOR COLORFUL,  
DECORATIVE  
FLOORS AT  
LOW COST



**T**HE fascinating, full-color book illustrated above shows how J-M Asphalt Tile provides for public buildings of every type an economical floor that is comfortable to walk on, easy to clean and exceptionally resistant to wear. The book illustrates many attractive colors and patterns which blend perfectly with any decorative scheme, and Johns-Manville's name is your assurance of highest quality. Send for a copy today! J-M Asphalt Tile Floors are sold and applied only by flooring contractors approved by Johns-Manville. There is one near you, listed in the classified phone book. Ask him to show you samples of this modern, long-lasting floor. Or write us for the free book. Address Johns-Manville, Dept. BW-9, 22 East 40th St., New York City.

**JM** **JOHNS-MANVILLE**  
ASPHALT TILE FLOORING

and bound into six large volumes—to be used as a basis for conference and not to be read at the meetings. A seventh volume will contain the discussions themselves, and will be sent to registrants after the congress concludes. Both general and technical sessions are open to anyone interested, upon payment of a registration fee of \$10, and

the volumes of record are free to registrants.

For a period of several weeks before and after the congress, it is expected notable speakers will be entertained at sectional and regional meetings arranged by American leaders in the various fields of management, for intensified technical discussion.

## Wine Industry Acts

**Californians push their plan for a code, an advertising drive, and price-fixing. State has its second successive bumper grape crop.**

A \$1,000,000 NATIONAL ADVERTISING campaign for California wines, establishment of a trade practice code for vintners, and rigid control of grape prices are a few of the innovations in prospect for the wine industry of the Golden States as interests involved in the vineyards and wineries push their "stabilization program," begun last May, nearer to completion.

Hastening the process are the trade practice conference under the auspices of the Federal Trade Commission (San Francisco, Sept. 9) and the immediate need for handling California's second successive bumper crop of grapes. The 1938 crop (2,450,000 tons) is nearly as large as the record 1937 yield, a phenomenon unprecedented even in California, land of the "unusual."

The job of disposing of the 650,000-ton grape surplus without wrecking all and sundry appears to be pretty well licked, though a few of the more rugged individualists among the growers are trying to kick over the traces.

### How Crop Is Allotted

A pro-rate program, set up under the California Agricultural Pro-rate law, will restrict 22½% of the crop (or 550,000 tons) to commercial winemaking. Raisins, already under a separate pro-rate, will consume 800,000 tons. Fresh table grapes will take 450,000 tons. Of the surplus, 200,000 tons are in raisin grapes and 450,000 in wine grapes which will be diverted to commercial brandy and spirits. Production on these last two items will be placed in storage as loan collateral.

Under the California law, pro-rates can be set up only if 65% of the growers representing 65% of the acreage approve and can be upset on petition of 40% of the growers representing 40% of the acreage. The necessary 65% have okayed the plan.

Financing of the pro-rate (about \$7,000,000) will be done jointly by a group of California banks headed by Bank of America, American Trust Co., Anglo-California National Bank (all

of San Francisco), the Security-First National of Los Angeles, and the Reconstruction Finance Corp.

The price-fixing feature is something new for California pro-rates, and is based on \$15 a ton for wine grapes with a 20% sugar content in 12 north coast counties and 22% elsewhere in the state. Enforcement will be simple. If a rugged individualist among the growers tries to start a little bootlegging, he won't get any financing. If a vintner gets out of line, he won't get any grapes.

This season's vintage operations will be financed by a loan of \$10,000,000 from California banks with the stipulation that the national advertising program, so long planned by the wine interests, gets going.

### Will Examine Trade Practices

The FTC conference Sept. 9 is scheduled to air a lot of the industry's dirty linen in an attempt to set up a code banning such practices as price discrimination, below-cost selling to injure competitors, substitution of products, false invoicing, imitation of trade marks and inducing breach of contract. Elements in the industry pulling for a code are dominant, and the few reluctant ones will fall into line.

Incidentally, a delicate question of overlapping federal jurisdiction bobbed up when the Wine Institute petitioned FTC for a trade practice conference a few months ago, especially as to whether jurisdiction of the Federal Alcohol Administration over the wine industry didn't preclude action by the FTC. The FAA finally agreed that an FTC code could be developed on points not involved in its jurisdiction, such as labeling, advertising and standards of identity.

As for the current business position of the industry, the Wine Institute reports that consumption suffered a temporary setback in the last six months. Beginning in May, however, wine movement recovered and is now running ahead of the like months of 1937.

## Schenley Restores Price Contracts

Retailers, alarmed by threatened cut in their margins, force distiller back into line on fair trade. Alexander calls liquor advertising confab.

BLASTED by liquor retailers and wholesalers—not only in New York but all across the country—Schenley Products Co. this week obligingly pigeonholed its proposed plan for revision of its New York fair trade contracts and prepared to hand out to retailers on Sept. 2 a new set of contracts which would be pretty much what the old ones were. Organized retailers thereupon chalked up another victory in their battle for complete control of fair trade policy.

On Aug. 2 Schenley reared up and pronounced itself dissatisfied with its present fair trade contracts (*BW—Aug 13 '38, p16*). On Sept. 2, said Schenley, it would issue revised contracts to New York retailers. In the meantime all contracts were off on three Schenley brands—Golden Wedding blended rye, Belmont blended bourbon, and B. & G. wines.

### What Schenley Proposed

The new contracts which Schenley had in mind for New York, and which would have set a precedent distasteful to retailers all over would have abandoned the single minimum price, guaranteeing the retailer a mark-up of 40%, and in its place established three sets of prices—one as a minimum selling price below which a retailer could not go, another a suggested selling price, which Schenley hoped retailers would use, and a third price to be used for week-end and holiday specials. The retailer's mark-up, under this set-up, came to about 33½% on the fixed minimums, which were the only ones of interest to retailers; the suggested prices they regarded as something of a hollow jest.

No sooner were the provisions of the new Schenley contracts rumored around than retail liquor associations all across the country began to hit at the plan. In New York the reaction to the Schenley plan was expressed in a widespread price-war on all Schenley brands.

### Holds Out Three Weeks

Last January (*BW—Jan 22 '38, p14*) National Distillers tried bucking fair trade and dropped all its contracts. National lasted out two days, then discreetly gathered fair trade to its bosom again. Schenley lasted all of three weeks, but last week, after a series of meetings with the New York Joint Liquor Conference—the recently organized group of retailers, wholesalers and bar and grill men upholding fair trade in the liquor field—Schenley an-

nounced that all differences had been ironed out, on Sept. 2 contracts agreeable to retailers would go into effect on all brands, including those three which had been previously removed from fair trade.

Though retailers played the major part in forcing Schenley's hand—by cutting down on Schenley purchases and shoving Schenley products under their counters—liquor wholesalers did their bit as well. Schenley had been toying with the idea of cutting off all its wholesale connections in New York, and distributing to dealers direct—a plan that Schenley wholesalers in the rest of the country didn't like any better than they did in New York. Despite the wholesalers' show of strength, the trade says Schenley is considering a plan whereby big Capitol Distributors in New York would handle all Schenley distribution.

In the heat of the Schenley battle, a significant announcement from the office of W. S. Alexander, Federal Alcohol Administrator, was almost lost sight of. That announcement has to do with plans for a national liquor conference

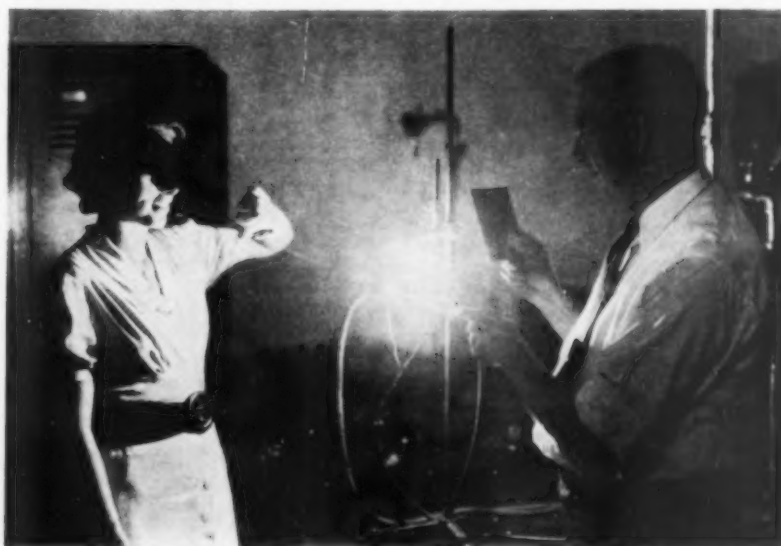
to be held in the early fall to advocate uniform alcoholic and beverage advertising regulations for the entire country. The conference will be attended by representatives of the National Conference of State Liquor Administrators, the Monopoly Control States, the FAA, representatives of advertising agencies and the advertising managers of the liquor companies.

### Production Drops

Also from the office of W. S. Alexander came the mid-year statistical report on the production of whiskey, brandy and rum in the U. S. for the calendar year 1937 and the first six months of 1938, which showed the current sorry state of corn and bourbon whiskey production, down to 40,231,846 gals. for the first half of 1938 as compared to 84,233,092 for the same period in 1937. Rye was down to 11,936,276 in 1938 as compared to 20,907,832 in 1937.

Growth of the tremendous stocks overhanging the market was traced in the report. Corn and bourbon whiskey in bonded warehouses (over 4 years old) which had totaled 441,272 gals. on Dec. 31, 1936, and risen to 745,270 on Dec. 31, 1937, reached 1,754,834 on June 30, 1938. Rye whiskey over four years old, which had totaled 1,256,446 gals. at the end of 1936, and 3,248,997 in 1937, stood at 6,487,924 in mid-1938, according to the report.

### Lamp May Revolutionize Processes Requiring Intense Light

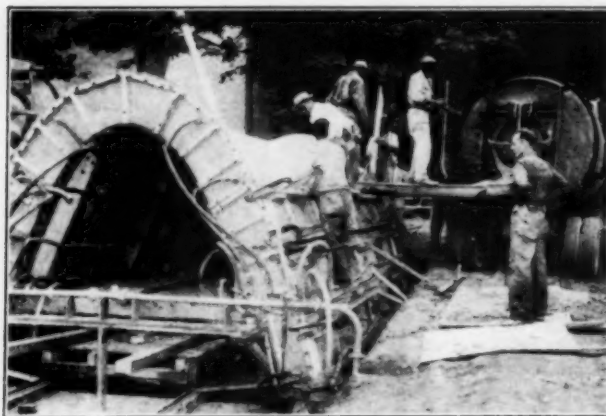


A "COOL" mercury vapor arc lamp, capable of producing a brilliance one-fifth that of the sun, has been perfected for commercial use by the Lamp Division of Westinghouse Electric & Manufacturing Co. Here, Dr. John W. Marden, Westinghouse research engineer, and a laboratory assistant, shield their eyes from the brightness of the tiny 1,000-watt

lamp, which may revolutionize photoengraving, blueprinting, and searchlight practice. The concentrated light source is a minute mercury arc inside a quartz tube cooled by a water jacket, which circulates three quarts of water per minute, preventing the inner tube from melting. It filters out heat-producing rays, but permits passage of ultra-violet rays.



## Fortress Built in Four Hours With Fast-Drying Cement



A HANDFUL of military observers watched a demonstration last week at the Bureau of Standards, Washington, in which a concrete "pill box" fortress was constructed and made ready for use in about four hours. In making the "pill box"—20 feet long, 12 feet wide, and 9 feet high—a new formula, the "vacuum

concrete process," was used. Karl P. Billner, Swedish inventor with offices at 30 Rockefeller Plaza, New York, has adapted the fast-drying concrete to commercial purposes. He said that, with practice, such a job as the "pill box" could be completed in two hours. Right, Mr. Billner inspects the finished job.

## Custom-Built Vegetables

**Uniformity of size becomes of prime importance as vegetable growers discover the merchandising merit of packaging. Tests with preservatives progress.**

VEGETABLES OF THE FUTURE are going to be streamlined and grown to almost exact dimensional specifications, according to speakers at this week's convention in Detroit of the Vegetable Growers Association of America, composed of some 2,000 state and local associations.

### Standard Containers Evolved

The trend is rapidly being brought about by the spreading use of modern packaging methods, intended for two purposes: decreased damage in shipment and improved saleability. Already much has been done in developing standard containers for such items as tomatoes, apples, squash, celery, and cucumbers, and seed growers have been developing seeds which will result in vegetables that will better fit the containers and guarantee size uniformity, now achieved less efficiently by the grading process.

The trend in containers is toward the smaller sizes, with peck bags for potatoes and individual sales containers for other vegetables like tomatoes and celery. The smaller packages increase saleability.

As to the vegetables themselves, already the curved neck has been removed from the summer squash, cucumbers have been straightened out and given a more uniform thickness, and celery is being grown with shorter stalks and less foliage above the bunch

to conform better with standard container dimensions.

No longer is it the objective of vegetable raisers to grow the largest vegetables possible. Smaller sizes of such items as cabbages, lettuce, watermelons, and squash find a readier market with the average housewife, and can be shipped with more items to the crate. As an example of the influence of modern living conditions, seeds for watermelons that will fit into the average refrigerator are under development.

Vegetable growers appear to be virtually unanimous in agreeing that packaging increases the value of products far more than the cost of the containers. For instance, Michigan celery, once a drug on the Chicago market at any price before packaging, now sells in that area for twice the price of unpackaged prime California celery.

### Affects Commission Merchant

The trend toward packaging is also affecting the distribution picture. Formerly, growers gathered their vegetables without regard to size and shipped them in a lot to commission merchants, who thereupon graded them for the market and threw out the culls. With grading and packaging now done by the grower, the position of the commission merchant has become economically less important.

Further, the development apparently has fostered an increasing tendency to

cater to home-state growers. Thus many states report marked decreases in importations during their own seasons. Indicative of this trend is the fact that 65% of all L.C.I. shipments are now made by truck.

Vegetable growers manifest considerable interest in current developments in preservative dips, pre-cooling for shipment, freezing of vegetables, and other techniques primarily designed to preserve quality in long shipments. These developments permit leaving the produce to ripen naturally for a longer time, thereby improving flavor. The utilization of special wax dips for tomatoes, and "surface freezing" of fruits and vegetables are reported to be spreading rapidly.

Use of non-poisonous insecticides apparently is being rapidly pushed by the gradual but continuous lowering of governmental specifications for arsenical content of vegetables and fruit.

### Trend to Greenhouses

Vegetable growers are not greatly excited about hydroponics—the soil-less growing of produce on chemical tank farms. Most commercial growers look upon this development as of value from a research standpoint, but not of major economic significance. Significantly the need for greater standardization of product size and quality, is leading more and more commercial growers to the use of greenhouses and special fertilizers for the control of atmospheric and soil conditions. Already, the *Market Growers' Journal* reports, 70% of all commercial growers have greenhouses of some form or other—with some of these so large that planting and cultivation are carried on inside with tractor equipment.

## NEW PRODUCTS

New processes . . . New designs . . . New applications  
of old materials . . . New twists on old ideas . . .

Four new products to fill long-felt wants: (1) The brand new air-operated Pneumix Agitator, whose two propellers will stir as many as 100 gal. of liquid, made by Eclipse Air Brush Co., 390 Park Ave., Newark, N. J. It is sparkproof and splashproof. (2) New Lockite Lighting Units, developed by Westinghouse Electric & Mfg. Co., Cleveland, wherein lamps cannot be lighted until reflectors are properly locked in place. (3) Candid Carrying Case for the Filmo "8" movie camera. Bell & Howell Co., 1801 Larchmont Ave., Chicago, makes it with hinged drop cover for quickest possible action. (4) Shakeproof Lock Washers and standard machine screws, pre-assembled by Shakeproof Lock Washer Co., 2573 N. Keeler Ave., Chicago, to save time in its customers' assembly lines.

Meet Merry Hull, industrial designer, and her patented Finger Free Gloves which are being produced in styles for



men and women by Daniel Hays Co., Inc., Gloversville, N. Y. Three-dimensional palms and "walled fourchettes" eliminate bunching, binding, and strain—insure comfort. Her newly designed fourchettes, or gussets between fingers, extend around the finger tips instead of terminating in the usual points.

A new nickel alloy, to be known as Z-Nickel, is coming from International Nickel Co., Inc., 67 Wall St., New York. Containing 98% nickel, it has  $2\frac{1}{2}$  to 4 times the strength of ordinary structural carbon steel. Like steel it can be bent, drawn, machined, hot-forged and heat-treated; like nickel it has an unusual degree of corrosion-resistance. Uses thus far include automobile aerial tips, cold chisels, flat and

coil springs, attachment loops with threaded shanks. Available in the form of rod, wire, and strip.

Cocktails and other refreshing drinks can be shaken up without wear and tear on the arm, by use of the new Shake King, manufactured by Shake King Corp., 4619 Ravenswood Ave.,



Chicago. New appliance consists essentially of a zinc alloy die cast base and shaker arm, plus a solenoid to furnish agitation. Added feature is advertising space on the arm, lighted from the rear when it is doing its stuff.

The ensemble way of selling is being taken up by Speedway Mfg. Co., Cicero, Ill., for its power tools in the



miniature, moderate price field. Its new Speedway No. 250 Kit is a steel case containing an electric drill, an electric grinder, and five accessories.

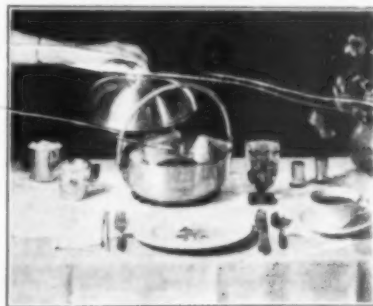
Most recent additions to the widely used Bradley Multi-Stall Circular Showers are sectional water receptors built of precast stone, reinforced with steel. Bradley Washfountain Co., Milwaukee, their maker, points out that these make the showers entirely self-contained, permitting their installation

on any type of floor including wood. Bradley is also bringing out new Self-cleaning Shower Heads for its Wash-



fountains which free themselves instantly from clogging.

Rolls and biscuits come piping hot from range to table in the new Mirro Hot Biscuit Server of Aluminum Goods



Mfg. Co., Manitowoc, Wis. To crisp rolls, keep air vent open; to freshen dry foods, keep air vent closed.

Operation of the new Barrett Scale Truck, just being brought out by Barrett-Cravens Co., 3256 W. 30th St., Chicago, is simple enough for any up-and-coming unskilled worker. It lifts



platforms and skids like any well designed lift-truck, and at the same time permits weighing, counting, and measuring to be done with ease and speed.

## That Norse-Swede Labor System

**There's compulsory conciliation but not compulsory arbitration in Sweden and Norway. Workers have one big organization, and employers another.**

"SWEDEN has the answer."

That is heard with increasing frequency in American discussions of labor-and-management relations, and will be heard even more often after the President's commission returns with a report on labor developments abroad. To most American business men, the industrial relations history of Sweden and its sister countries of Scandinavia, Norway and Denmark, is still pretty much of a mystery.

At the outset, it may be said that Sweden and Norway are much alike in their treatment of labor problems. Denmark, since the passage of special laws to prohibit strikes and lockouts and to set wages for a term of years, should not be lumped in a discussion of "the Scandinavian way."

### Features of Their Technique

The following salient points about labor relations in Norway and Sweden are sufficient to whet considerable business interest:

1. Labor agreements are enforceable in special labor courts, and the party injured by stoppage in violation of the agreement can recover damages from the other signatory.

2. Both countries have compulsory conciliation; in a dispute threatening to stop work, employers and employees must meet and negotiate. If conciliation fails, however, there is no compulsory arbitration, and the rights of strikes and lockouts obtain.

3. Labor unions, accounting for a high percentage of all workers, are matched by employer associations. In each country there are two large, close-knit, top organizations or federations—one representing employers and the other the employees. Groups outside these federations are relatively unimportant.

### Contrasted with Situation Here

Several important differences between the Scandinavian situation and the American setup must be noted, as the Swedish and Norwegian experiences are analyzed in a search for techniques which American business management might import. It is obvious that American labor is not organized in such well-integrated fashion as Scandinavian labor is. In Sweden, for example, it is estimated that 85% of all industrial workers are organized. Again, employers' federations in the Scandinavian countries are correspondingly strong, although they do not cover as wide a field of occupations as do the workers' federations. For instance, the Swedish Employers' Federation, which covers not only all the important manufacturing industries but all the important units in those industries, includes in its membership enterprises which employ only 400,000 workers. It has no less than 5,000 "associates," or employing members.

Bargaining, as in numerous countries other than the United States, is

### Preview

AS THE PROBLEM of developing a workable system of labor relations to insure stability of employment conditions again challenges the attention of business, labor unions, and government, interest mounts in the various answers which other countries have found to similar problems.

Three months ago, President Roosevelt appointed a special committee to investigate those "answers." Shortly after that appointment, *Business Week* presented a detailed analysis of "How Britain Handles Labor" (BW—Jul'38,p.26; Jul'9'38,p.20). The President's committee reported this week on the British labor situation. The accompanying article, "That Norse-Swede Labor System," anticipates its report on Scandinavia, due later.

Like the British study, this analysis of the Scandinavian labor relations programs is the result of minute study and exhaustive personal interviews with workers, employers, and public officials in Sweden and Norway, conducted during the past two months by Edward J. Mehren, formerly vice-president of the McGraw-Hill Publishing Co.

principally between an association of employers on the one hand and the appropriate union on the other. Normally, both federations are signatories to the agreements, which are national in scope. (Relative compactness of the Scandinavian countries helps make this



MEET SWEDISH LABOR—At a recent "Trades Union" meeting in Stockholm.

Teet & Bildt



possible; Sweden, for example, has but little more area and population than California.)

Another notable trend is this: Craft unionism has given way to industrial unionism in the Scandinavian countries. In Sweden, only a half dozen craft unions remain, and they are not to be compared in size and strength with the industrial unions. The unions claim for the industrial type a simplification of negotiation and of administration—and employers favor industrial unions for the same demonstrated reason.

Although employers in these countries do not inquire whether a prospective employee is a union man or not, chances are the force will be almost entirely unionized. And if a man is not a member when employed, he is very likely to join promptly unless, in Norway, the union has an objection to him.

### How Employers Are Organized

Particularly interesting to American observers are the employers' federations and the way in which the law operates on labor matters. The employers' group in Sweden is close-knit and follows a policy of paying compensation to its associate members for time lost through strike or lockout. Its "members" are the employers' associations in various industries and localities; its "associates," the individual company members of these associations. Associates not only pay dues, but put up guarantee bonds, in amounts proportionate to the number of their employees. The bonds form a "security fund" which is drawn on if "insurance funds" are exhausted, to pay strike or lockout compensation. The "insurance fund" is built up from surpluses remaining from annual and entrance fees after administration expenses have been paid. The cash funds at present amount to 25,000,000 Swedish crowns (approximately \$6,250,000).

### For Employer Solidarity

No member group or associate, under the federation constitution, can make a labor agreement without the approval of the federation. Violation of this rule subjects the individual employer to heavy fine. Further, no lockout may be declared without the approval of the governing body, nor may a member refuse to join a lockout declared as a federation activity. Penalties are collected, if necessary, through the guarantee bonds, and the maximum penalty is 200 crowns per worker employed by the associate which is penalized.

Thus the federation has a close hold on its members and can go into conflict, if need be, with assurance of solidarity to match the unity of the labor body.

Under the Swedish law passed in 1928, a sharp distinction is made between labor disputes over terms of agreements in negotiation, and those over agreements already in existence. The latter have the status of contracts, and strikes or lockouts over their terms are forbidden. If disputes cannot be settled privately in this area of agreement, they go to the labor court expressly set up for this purpose. And the court has the power to determine and collect damages, with liability of individual union members limited to 200 crowns.

With a law of this type in operation, it is natural to expect that there would be few illegal strikes—and that is the record. This has been particularly true in Sweden since the law went into effect 10 years ago. There have been a few more illegal strikes in Norway, where a similar system operates, but penalties have been collected in both countries from unions and members found liable.

Today, the union leaders are not only reconciled to the law, which at first was unpopular with them as an employer-sponsored move, but they state that it is an instrument of industrial peace and must be retained. They are quite naturally not always in harmony with the decisions, but the workers have been the complainants in by far the large majority of cases brought to the court, and have had well over half of the decisions in their favor. Incidentally, the decisions of the labor court are final, and may not be appealed.

### No Compulsion to Agree

In negotiations and making of agreements, Norway and Sweden are something like America. There is no compulsion to agree, and the right to strike or lock out remains. But if one of the parties decides on direct action, he must give the other party and the government at least seven days' notice of the proposed stoppage. In the event that the government conciliator decides that he can help, he summons both parties to conference—and to date they always have answered the summons.

Essentially, most people in Norway and Sweden feel that these methods work well, and no proposals are current for material change in procedure. Public opinion seems to be that substantial justice has been done to both sides, in most cases. Employers report that the union members are intelligent, strong, and determined, and that the union bargainers are hard fighters but able, intelligent, and practiced men. In Norway, it is evident that a considerable number of employers feel that the unions are pushing too hard; in Sweden, this feeling is not noticeable.

## Is advertising mere guess-work?

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This agency is constantly testing its copy. We do not advise our clients on a hit or miss basis, but on a basis of experience and proof.

Isn't this the kind of advertising counsel you want?

**Newell-Emmett**  
COMPANY  
*Advertising Counsel*  
40 EAST 34th ST., NEW YORK

**WHERE DO YOU  
STAY IN ST. LOUIS?**

**AT HOTEL MAYFAIR.  
IT'S ALWAYS COOL!**



You'll enjoy cool, restful comfort in the hottest weather at Hotel Mayfair. Each room has guest-controlled air conditioning, private bath, radio and other modern features. Three air-conditioned restaurants.

50% of all rooms \$3.50 or less, single — \$5.00 or less, double.

"Downtown At Your Doorstep"

**HOTEL**

**Mayfair**

EIGHTH AND ST. CHARLES • ST. LOUIS

**HOTEL LENNOX** ONE BLOCK OVER — SAME MANAGEMENT

## Wage-Hour Rules

**Andrews will give clear explanation to all industries before the deadline.**

WASHINGTON (*Business Week Bureau*)—Questions regarding application of the wage-hour law which are of common concern to all industries and vital to some will be answered before Oct. 24, the effective date. Such assurance was given this week by Administrator Elmer F. Andrews, who remains calm while his office continues in a state of siege by manufacturers, lawyers, trade association and union executives and job hunters.

### Points to Be Cleared Up

Provision will be made specifying conditions permitting uninterrupted employment of learners and apprentices, the aged and infirm at wages lower than the 25¢ statutory minimum.

Exemption of executive, administrative and professional employees and those engaged in local retailing or as outside salesmen will be further defined by regulations.

At least a preliminary listing of seasonal industries will be made so that the law can take effect without creating widespread confusion regarding exemption of workers from the 44-hour limit at which overtime begins to run.

These and other questions must be determined before Oct. 24. Andrews

knows that. He has no intention of keeping industry up in the air but he is not going to rush through anything. Somehow, the unruffled, quiet-spoken administrator manages to convince a multitude of callers that he will not let them down.

This week the administrator held another conference with representatives of the textile industry preliminary to naming the committee which is to recommend the higher minimum wage rates to be applied in lieu of the statutory minimum of 25¢. Representation on the committee and the committee's jurisdiction depend in the first instance on a practical definition of the industry's scope. This will include silk, rayon, cotton and possibly the so-called soft fibers—jute, hemp and flax. Knitted underwear and knitted outerwear also may be covered, to the extent, at least, that such manufacturers spin their own yarn. Woolens and worsteds will not be included.

### Textile Wages Surveyed

Without formally committing himself or the industry committee, Andrews is of the opinion that different wage minima may be properly applied to different operations in the several branches of the textile industry. In the meantime, the Bureau of Labor Statistics, under the direction of Isador Lubin, is pushing its survey of the wage situation in all branches and localities of the textile industry.

The same approach will be taken in establishing minimum wage rates in tobacco as in textiles. Having started the ball rolling in the biggest low-wage industry, Andrews invited the tobacco people to an informal discussion this week for the purpose of defining the scope of their industry and the relation of the various branches, including cigars, cigarettes, smoking and chewing tobacco and snuff.

### Rail Issue Left for Later

Concerning application of minimum wage rates for railroad employees, on which there is some discussion, Administrator Andrews concedes that maintenance-of-way men might come under the act but says he is not disposed to tackle this question now. State compensation laws divide on the question as to whether such railroad workers are employed in intrastate or interstate commerce.

From the Children's Bureau of the Labor Department came notice that employers could continue to work boys and girls from 16 to 18 years of age after the wage-hour law becomes effective. The announcement was prompted by reports that Southern textile mills are posting notices informing minors in this age group that they would soon have to give up their jobs because of the new law. Employment of minors of such age is illegal only in occupations which the Children's Bureau finds to be particularly hazardous or detrimental to their health. No such orders have been issued and no such orders will be issued except after careful investigation and consideration. Notice of such orders will be given, with ample time for readjustments in the industries concerned before they become effective, according to Miss Katharine F. Lenroot, bureau chief.

### North Carolina Expansion

EIGHTY-FIVE NEW INDUSTRIES and 52 additions to existing industrial plants are reported for North Carolina in the first eight months of the calendar year by J. T. Anderson, head of the Division of Commerce and Industry, Department of Conservation and Development. This industrial expansion represents a capital investment of approximately \$9,000,000 in North Carolina, the division says. Of the 85 new plants, 25 are hosiery mills, and of the additions, 29, or more than half, were undertaken by hosiery manufacturers. Food and kindred products account for 17 new plants. Six cotton yarn factories found it necessary to expand during the period. Other textiles, paper, lumber, furniture, milling, and chemical industries are represented in the list of new and expanded projects undertaken in the Tarheel State.

### Selling a Town at Auction



**PLAINFIELD, OHIO**—a century-old town that once claimed a population of nearly 1,000—went under the auctioneer's hammer recently as a nearby dam project made moving a necessity. Above, auctioneer W. P. Andrews raises his cane to confirm a final bid on a house. Some homes sold for as low as \$7. The buildings are to be moved to a new site a mile away; the original village will be a lake.

## Sheboygan's Labor Peace Plan

Wisconsin town seeks to outlaw industrial unrest by setting up a business-labor-public peace board.

SHEBOYGAN, Wis. (*Business Week Staff Correspondent*)—This furniture-and-toy-making town of 40,000 population, moving courageously in the face of honest suspicion on the part of a few manufacturers and open opposition from the Central Labor Council, this week took the first step in an industrial and public relations program with which it hopes to revitalize the community.

First step was to set up the Sheboygan Community Peace Board, an industrial relations instrument patterned after the Toledo Plan for bringing about peaceful settlement of disputes arising between management and labor. The board consists of eleven members—four representing labor; four representing management, three representing the public.

Second step in the program will be taken this week when the town will set up a New Industries Council. The board idea was a by-product of the town's desire to get some new industries.

### "The Kohler Situation"

The board is intended to serve, in part, as a counter-irritant to what the town calls "the Kohler situation." The "Kohler situation" grew out of the strike and riot at the Kohler Co.'s plant in the neighboring village of Kohler, four miles away, in the summer of 1934. The Kohler case was settled on Mar. 26, 1935, when the National Labor Relations Board, after a secret ballot of Kohler workers, held that the Kohler Workers' Association, a company union, represented a majority of the Kohler workers and was their duly authorized agency for collective bargaining. The NLRB denied the application of Federal Labor Union No. 18545, an A.F.L. union, for another election.

There is no labor trouble at the Kohler plant. But about 350 A.F.L. workers have not been taken back. The A.F.L. still recognizes the existence of a "strike." Two pickets, one carrying an American flag and the other an umbrella covered with anti-Kohler lettering, march back and forth in front of the plant for an hour each day. And the A.F.L. union, headed by Charles Heymanns, forthright, uncompromising president and state organizer, is carrying on a campaign to boycott Kohler products.

The far-sighted business and labor leaders who set up the Peace Board want to forget all past troubles. Through peaceful settlement of future disputes they want to attract new industries,

put the unemployed to work, and divert to other purposes the 25% to 33% of local taxes now being used for relief. But Heymanns this week did what he could to throw a monkey wrench into the board machinery.

An hour before the town meeting was to get under way members of the Peace Board sat on the veranda of the Heidelberg Club with Edmund Ruffin, director of the Toledo Industrial Peace Board; Albert Horn, secretary of the Toledo Association of Commerce; and Oliver Myers, secretary of the Toledo Building Trades Council and labor member of the Toledo Board—all of whom were to speak. An A.F.L. committee, headed by Heymanns, appeared, asked to see Myers, demanded that he should not make his speech.

Myers, after talking with the committee 30 minutes, returned so angry that tears showed in his eyes. He said his right to make the speech he had planned was only "the right of free speech." But, with the Central Labor Council on record against the peace board and in view of the Heymanns committee demand, he saw nothing to do but withdraw.

### Toledo Experience Described

Though Heymanns gagged Myers, sixty labor leaders sat next to bankers and manufacturers during the dinner. Among them was Paul Mundt, president of the Central Labor Council and member of a joint committee of labor leaders and business men that worked out the peace board set-up. He attended as a member of the brewers' union, one of eight old-line unions that have endorsed the Board. Those labor leaders heard Ruffin tell of the 182 cases of industrial disputes the Toledo board has handled; heard Horn say the Toledo Board has changed the attitudes of labor and management in Toledo; heard Edward F. McGrady, former assistant secretary of labor and father of the Toledo Plan, speaking by radio from Washington, tell of the suspicions held by both management and labor in Toledo when the board there was set up and describe how those suspicions were liquidated.

Advocates of the Sheboygan industrial and public relations plan, led by C. E. Broughton, publisher of the Sheboygan *Times* and Democratic National Committeeman, and Robert A. Saltzstein, Milwaukee public relations counselor, recognize that Sheboygan's difficulties of the moment are not un-

like those under which Toledo launched its peace board. They recognize further that those difficulties probably will not be quickly resolved, that there is likely to be a particularly hot time in the old town the week of Sept. 19 when the Wisconsin State Federation of Labor holds its convention in Sheboygan. But backers of the plan are determined that it shall have every chance to succeed.

## New England Survey

Manufacturers answer questions on the need for more public relations work.

A REMARKABLE OPPORTUNITY exists in New England industry for speeding up public relations work, according to a survey just completed by the New England Council. Twenty-five hundred manufacturers were questioned as to the attitude of local communities toward industry; participation of officers and employees in local affairs; plant exhibits; employee information arrangements; visits to plants; news announcements; product displays; development of new industries and barriers to good public relations. Cross-sectional opinion from 263 replies indicates that 40% of the manufacturers feel that their communities generally realize the contributions their establishments make to community welfare; 92% consider communities friendly to the company; and 33% of the officials appear before local groups to discuss the part their concerns play in local economic life. Twenty-six per cent would welcome opportunities to do this last. Sixty-eight per cent of the industrial executives hold office in service and commercial organizations; 21 companies participate in celebrations of local origin; and 12 to 48% take part in the direction of philanthropic organizations.

### Room for Better Publicity

The publicizing of industrial activities is very meager. Thirty-eight per cent feature plant expansions and 35% new products, but only 2 to 28% feature other news, broadly speaking. Sixty-four per cent encourage employees to acquaint themselves with the finished products of their companies. Twenty-five per cent still fail adequately to identify their plants with the company name; 51% do not identify their products suitably by signs; and only 15% provide well-lighted signs at night. Twenty-one per cent have local display rooms; 31%, personnel to inform visitors about products. Lack of knowledge of industry problems was deemed a barrier to good public relations by 43%; 29% charge politics with fostering bad public relations.



# Money and the Markets

**Traders want more definite news about autumn business before taking chances; and this attitude contributed to weakness of stocks at beginning of week. War scares were a minor factor.**

THEY CAN TALK war scares all they want to, but the kicking around administered to stock prices the opening day of this week wasn't so much caused by that as it was alibied by it. Selling on Monday may be ascribed, much more realistically, to disappointment over the manner in which prices backed off from the highs established early on the preceding Friday.

Here's why the war scare story doesn't hold water. The selling died down as suddenly as it had started—and the rumpus in Europe was, if anything, more acute on Tuesday than it had been on Monday. Besides that, weakness was conspicuous in a lot of raw materials which Europe would be buying hand over fist if the diplomats were convinced that war was imminent.

## Professional Selling

That's not to suggest that war scares didn't contribute to the extent of the decline. Stocks weakened on Monday because traders figured they had better get out of the market until the autumn business news becomes a mite more definite. The so-called professionals felt that the market's action at the end of the previous week suggested a corrective reaction. The war scares came along just at the right time to heighten the disturbance.

To the investor who doesn't give a hang about what happens to prices on any given Friday or Monday, the most important thing was that the selling died down rather than spreading after the rather drastic shake-out the first day of the week. Failure of the President's "purge" in South Carolina was good news to Wall Street, and there were few things in the business news to get upset about.

## Petroleum Worries

It's quite true that things aren't so happy in the oil industry, but the problem isn't one that should greatly affect other businesses. The oil industry has been overproducing for months—and has been thoroughly cognizant of that fact. Too much crude oil has been coming out of the ground, too much petroleum has been refined, and stocks of both gasoline and fuel oil have been too large.

There have been spasmodic outbreaks of price warfare, but these have been local in character for the most part. Recently, however, crude prices have shown distinct weakness typified by the price cut a few days ago in the prolific East Texas area. The chief worry is over the possibility of retail price weakness (opinions differ sharply on this) after the period

of large summertime use of gasoline has passed.

Oil's troubles are hardly of a sort to dim the recovery prospects, and they may be cured by curtailment. The Texas authorities already have ruled that wells must be closed for two days over the weekend instead of one, and many are hopeful that this will contribute substantially to the solution.

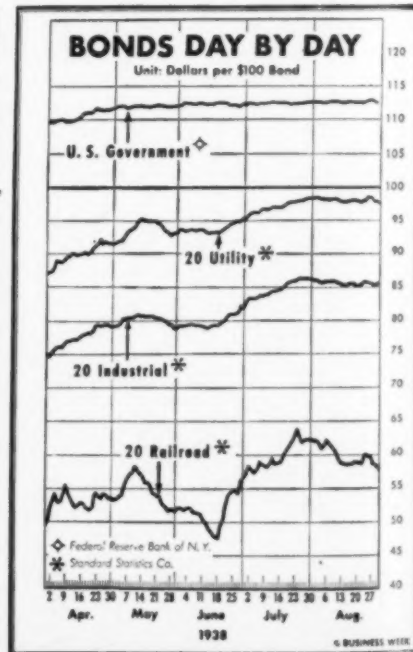
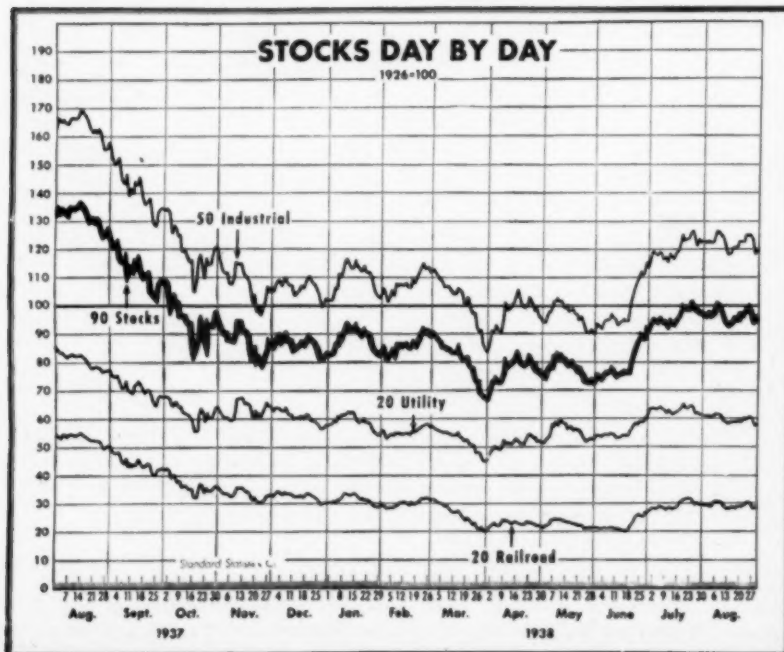
Most of the orthodox business indicators, however, are pointing higher. Steel production is continuing its gratifying recovery, and has risen to 44% of capacity. Electric power output and car loadings are pushing up toward the seasonal highs which they always set late in the year. Motor car manufacturers continue to look for a better fall business than any had anticipated two or three months ago.

Those, plus ample credit, remain the largest factors in the outlook for the markets, both in securities and in commodities. Sentiment toward most of the markets continues favorable, even though optimism is restrained.

## War Materials Weak

Returning to the argument that raw materials didn't give any indications of a war scare, the price of wheat again relapsed. Cotton showed fair rallying ability, but the rally came after stock prices had stopped sliding on the supposed war scares. Essential industrial raw materials like rubber and the non-ferrous metals followed the pattern of the stock market instead of asserting independent strength as they would be expected to do in case of real war scares.

Foreign exchange markets came



closer to displaying war jitters than either stocks or commodities. Conspicuous was the drop in the British pound which finally carried sterling below the old dollar parity of \$4.86. Other leading European exchanges also weakened in relation to the dollar.

## SEC Wins Test

**Court rules Associated Gas must register its extended securities as a new issue.**

THE SECURITIES AND EXCHANGE Commission, anxious that the courts certify its powers under the Public Utility Act of 1935, this week won the first round of its latest test case. Judge John W. Clancy, in U. S. District Court, granted a preliminary injunction against extension of a debt maturity by Associated Gas & Electric Co. unless the extended certificates are declared as a new issue under the utility act.

The case itself is not regarded as of great importance, but lawyers and utility men are interested in it as a test of a company's management's power to manage the company. Associated Gas has extended the maturity on about 90% of the \$13,000,000 issue of 5½% certificates. It contended that an extension does not constitute an issuance of new securities. The SEC said the program was the same as sale of new certificates. Judge Clancy agreed with the commission and they'll fight it out on those lines in the higher courts.

This test case was started at the same time that the SEC announced that it would undertake its first job under the utility act's so-called death sentence in connection with the reorganization of Utilities Power & Light Corp. (BW—Jul 30 '38, p15). Quite coincidentally, the SEC opened hearings this week into the matter of geographical integration of U. P. & L.

The matter of applying the death sentence to Utilities Power & Light at once opens the way to more litigation. To date the law's death sentence clauses (embodied in Section 11) have not been ruled upon by the courts. But the prospect is that they will be now. Counsel for Utilities Power & Light's trustee challenged constitutionality the moment the hearings opened.

**More Headaches**—The heritage of the Van Sweringens has not been a happy one. And, as though there wasn't already trouble enough, the Nickel Plate this week joined the list of ailing roads. More, it did so in a way that was highly annoying to Wall Street.

First the road notified the New York Stock Exchange that it was going to meet Sept. 1 interest on its \$59,875,000 issue of 4½% bonds. Then, on Tuesday

of this week, the directors met and decided to defer the interest payment (they have six months' grace).

Now this probably was done in all innocence. The road has a \$15,000,000 note maturity Oct. 1 and is attempting to get holders to extend the due date. Unless these 6% notes are extended, the road will have to go through the wringer. The directors couldn't see any sense in paying out money to bondholders until the road finds out whether it will be able to meet the Oct. 1 maturity.

Coming, however, after the earlier announcement that interest would be paid, the action hurt the market. The issue involved, the series C 4½s, flopped 4½ points to 31 at Wednesday's opening; the 6s dropped 6 points to 37.

Thereafter the road announced the deadline for extension of the 6% notes had been deferred from Sept. 1 to Sept. 15—and failure to pay the interest on the 4½s must certainly tell the noteholders what will happen if they don't come in.

**The Passing of a Dividend**—When, on Monday, American Rolling Mills Co. omitted the quarterly dividend on its 4½% cumulative, convertible preferred stock, the stock market showed it was not ready for the news. Rolling Mill preferred plummeted from an

opening sale of 73½ to 61½, without the cushion of an intervening price.

Operations of American Rolling Mill in the first six months might have served as a bit of forewarning. The company sustained a deficit of \$526,000, as compared with net profit of \$4,322,000 in the first six months of 1937. More, the recent price reductions in finished steel could hardly have been calculated to improve the company's earnings prospects.

Despite these economic auguries, the market was shocked. And probably because it was less than a year and a half ago that Rolling Mill offered the preferred stock at 101. Then, times were piping hot. The steel industry was operating above 80% of capacity. It only goes to show how quickly conditions—in this day and age—can change.

**Those Cotton Loans**—The Department of Agriculture came through at the end of last week with the promised loan plan for cotton grown in 1938. In

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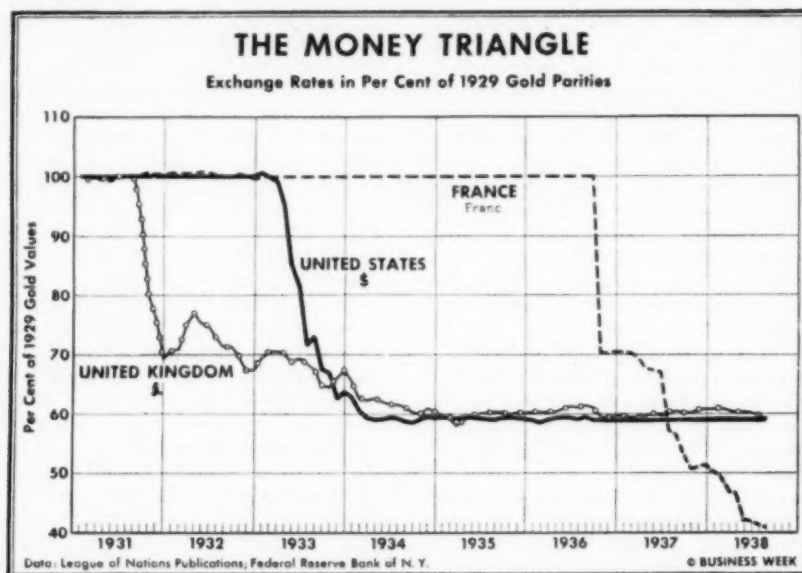
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the past, loans have been made because of surpluses from the then current crop; this year they are being made not because of any serious surplus 1938 production but because accumulated surpluses from prior years are playing hob with the prices being received this year.

The loan level for 1938 cotton is based on an 8.3¢ a lb. figure. Last year's was at 9¢. It's clear enough from that set of figures that the 1937 loan plan didn't succeed in pegging the price, that quotations now are lower than they were last year. Now the question is:

"Will the 1938 loan put a prop under prices?"

If the new loan program does peg prices, it is a safe bet that little or no 1938 cotton will be pledged under loans. If the grower can get more in the open market than on loans (not to mention soil-conservation benefits for which he qualified by cutting acreage, and \$75,000,000 to be split in "equalization" payments) he isn't likely to tie his cotton up under loans.

The market is very touchy owing to this situation. Some think prices will go below the loan figure and stay there until 1,000,000 to 3,000,000 bales have been pledged for loans. In other words, until Uncle Sam has cleaned up the market. Others think the 7,000,000 bales the government already is holding off the market under previous loan programs will be enough to prevent prices flopping.

**More Money for Corn**—The Corn Belt this week was agreeably surprised after announcement that the government was ponying up more money to keep carryover from last year off the market. Until Nov. 1 corn farmers can get 57¢ a bu. for corn from the 1937 crop by pledging it under Commodity Credit Corp. loans.

The loan figure heretofore has been

50¢ a bu. on the average. Surplus corn which hasn't been put up for loans now can be brought in and get 57¢. Not only that, growers who have received loans at 50¢ heretofore are to be allowed to convert on the higher basis. Inasmuch as nearly 46,000,000 bu. of corn already have been pledged for loans, farmers may come forward and collect about \$3,200,000 additional by converting these loans from the old 50¢ basis to the new 57¢ figure.

That's a prelude to the program yet to come involving loans on 1938 corn. Another large crop will go into the cribs between now and the end of the year. A lot more federal money will go into the ever-normal granary for corn before the surplus again comes within bounds.

**Incidentally**—No discussion of crop loans and the ever-normal granary would be complete without some mention of the Commodity Credit Corp.'s position. CCC originally was set up to borrow from the Reconstruction Finance Corp., to loan to growers against surplus production, and to keep those surpluses off the markets until such time as prices improved.

As the farm program has broadened—and as surpluses have burgeoned—the job of the CCC has grown. Came the time when it began to borrow from the public on its notes (guaranteed by the government) so as to take the strain off the RFC and, incidentally, the Treasury. Twice the CCC has appeared as a borrower. The first time its note issue was a bit of a flop, because bankers weren't familiar with the setup. The second issue was oversubscribed just like most of the government's short-term financing.

Now the CCC is carrying about 7,000,000 bales of cotton. It has lent or is about to lend almost \$14,000,000 on

more than 80,000,000 lb. of wool (grease weight). It is financing storage of about 46,000,000 bu. of corn. It is offering approximately 60¢ a bu. in loans on surplus wheat. Those, and various other small items, comprise the ever-normal granary's nest egg.

Loans on many farm products will rise very sharply in the months to come. For example, the CCC probably will get 200,000,000 to 300,000,000 bu. of wheat out of the 1938 crop. And the CCC's borrowings from the public will grow correspondingly.

The Commodity Credit Corp. will become an increasingly large borrowing factor. While on the subject, it is to be noted that other governmental agencies are important borrowers. The guaranteed bonds of the Federal Farm Mortgage Corp. have been around for a long time. The U. S. Housing Administration will be in the market as it goes beyond its Congressional appropriation.

These things don't add onto the government's direct debt, only onto its contingent liability. To that extent, the Treasury doesn't have to show the rising obligation. At the same time, when these agencies can borrow from the public they can pay off old debts to the Treasury and make Mr. Morgenthau's reports on Uncle Sam's income and outgo look just that much prettier.

**Sugar Prices Improve**—This week's market witnessed further strengthening in the sugar price structure. The trade clearly was at least mildly pleased with Sec. Wallace's decision not to reallocate the deficiency in the beet sugar quota (*BW*—Aug 27 '38, p. 33), and was distinctly dissatisfied with the near-record low quotations recently prevailing. It needed but little to improve sentiment on prices.

The raw sugar market continued the creeping rise which started during the preceding week. There was some business booked around 2.90¢ a lb. early in the week, but the general tendency of sellers was to hold out for 2.95¢ and 3¢ a lb.

Considering the fact that refined sugar had been held at 4.30¢ by the big Eastern Seaboard refineries for some time, margins of profit were pretty thin and there wasn't much inclination to resist rising prices. After the tax is deducted, the big refiners haven't been taking much more than 3¢ a lb. out of the price of sugar. The orthodox refiners' cut is about 1¢ a lb.; they starve to death at 3¢, what with present high wages and one thing and another.

Arbuckle Bros., a leading factor in precipitating the cut-throat competition which overtook sugar refiners a few weeks ago (*BW*—Aug 13 '38, p. 36), was the first to boost quotations. It hiked 20 points to 4.45¢.



## BUSINESS ABROAD

**War scare is again acute as Germans mass at Nurnberg for huge Nazi rally where Hitler is expected to discuss the Czechoslovakian crisis. British pound drops below old parity.**

*From Wireless and Cable Reports by Business Week's Foreign Bureaus and Correspondents*

ALL EUROPE IS TENSE over the war scare, but there are still small odds against an outbreak this fall. *Business Week's* Berlin correspondent epitomizes European business reaction: "Every Monday brings a sigh of relief that the weekend has passed without irretrievable decisions or actions."

All eyes now are focused on the Nazi party rally at Nurnberg, where Chancellor Hitler is expected to give some indication of outcome of the controversy over Czechoslovakia. An important group of observers believe that Hitler will be satisfied for the present with a degree of local autonomy for the German minority in Czechoslovakia

comparable to the treatment which the Germans receive in Switzerland. Another group fears that Berlin has gone too far in its demands on the Czechs to accept even this liberal concession.

The steady demand for gold and dollars indicates that at least some Continental investors are shifting their balances to New York, but there was none of the scare buying of commodities this week which would inevitably develop if Europe expected war soon. Germany is mobilized, but is completely unprepared for a long drawn out war, both financially and due to a lack of supplies. France is partially mobilized, but no orders have yet gone out to the general staff reserves

to remain in Paris during the vacation season. The British fleet will maneuver in the North Sea during the Nurnberg celebrations, but the British were calmer at the middle of the week than at the beginning. Markets everywhere were moderately firm, in spite of the uncertainty.

The weakness of the pound was the most spectacular development of the week in the business field. It is due to the soaring adverse trade balance in Britain, to the steady withdrawal of funds from London because of the fear that the British would impound gold at once if war were declared, and to a willingness on the part of British officials to let the pound sink for the

### South Africa—Eager to Develop Export Markets for Its Fruit—Seeks American Experts



CAPETOWN, FROM TABLE MOUNTAIN



RAND GOLD MINE, WORLD'S LARGEST

IN THE "HELP WANTED" section of a New York newspaper, this week the government of the Union of South Africa advertised for men to fill vacancies in its Department of Agriculture and Forestry. They were for men who had had special research training in the physiology and bio-chemistry of fruits. Behind the advertisement is the desire of the government to improve its grading, packing, and shipping standards to those of the United States, with which it competes in European markets, and into which it would like to send its fruit in larger quantities. Growing conditions in the citrus and grape-

producing regions of the two countries are similar, and United States research in fruit diseases, and in improved methods of preserving fruit through storage and during shipment, is considered more advanced than in most other fruit-exporting countries. Men familiar with the latest methods in this country should help the South Africans more quickly to meet and maintain the standards of this market which they intend to cultivate. Small shipments of South African grapes sent here last year were well received. Also behind the move is the desire for greater diversification of exports, now dominantly gold.



LOADING FRUIT AT DURBIN



JOHANNESBURG STREET SCENE

*Ameri-Candid*

benefit it will bring to British export business.

**Germany**—One of the most unfavorable developments in the international picture is the growing financial pressure in Germany due to the vast rearmament and public works program. A statement this week in the *Deutscher Volkszeitung* that more than one-half of national income is being spent on this program has not been contested by the government. This is one reason behind Berlin's nervous demands for a new trading empire in the southeast, and may in the end be responsible for any aggressive move which Germany may make.

Foreign trade made a much better showing in July, but the press has been outspoken in its anxiety to work

out with the United States some means of reviving trade between the two countries.

**France**—Markets remained steady this week, in spite of the tension over Germany. There has been a good deal of superficial political agitation following the Daladier decision to modify the 40-hour law drastically because of the war emergency, but this is not expected to lead to serious political troubles in the near future. Even the renewed outbreak of dock workers in the South is apparently going to be settled soon. But fundamental business conditions have not improved and the outlook is not bright.

**Great Britain**—The break in the pound below its old parity of \$4.8665

was the most striking development of the week. While the pressure was in large part due to the international tenseness this week, it is believed that the unfavorable trade balance will continue to push it down even if the German-Czech crisis passes, and that British monetary authorities are quite willing to see this because of the boost it will give to exports.

It is believed here that the German crisis will pass. Both Paris and London are trying to keep on good terms with Mussolini's Italy, though it is believed that Germany counts on Rome for little more than its nuisance value.

## FOREIGN ANGLES

### JAPAN WANTS MACHINE TOOLS

JAPANESE MILITARY AUTHORITIES, in an effort to reduce the cost of ordnance purchases, are planning to import a large quantity of machine tools through the Japanese army's New York office. It is also planned to import machines for loaning or reselling to munitions manufacturers. Officially it is explained that the procedure will relieve the machinery importers of the cumbersome procedure of obtaining military endorsements for import applications. While industrialists catering to the army have no objection to this scheme, importers, both foreign and Japanese, are indignant at this attempt to short circuit them. On the other hand, it is hoped in these circles that American and other foreign machine tool makers will honor their agency contracts and refuse to enter into direct business with the army.

### NEW REFRIGERATOR MARKET

AUSTRALIA CONTINUES to break down the high tariff walls which for several years have made this continent a tough market for other than British goods. Following the recent downward revision of the import duty on automobiles, the Tariff Commission of the Commonwealth is now putting the chisel on another important American export item: refrigerators. The specific duty now in force, which works out at something like 100% to 166% ad valorem, may be abolished shortly in favor of an ad valorem duty of 45% under the general tariff, and 25% under the preferential tariff.

### GERMANY WINS BUSINESS

INDICATIONS ARE MULTIPLYING that Germany will before long monopolize

the Manchukuan machinery market. Last September, the German firm of Otto Wolf arranged for a \$10,000,000 credit to be used for the purchase of German machinery. At the same time, a barter deal was drawn up between the two governments providing for the exchange of soya beans for German machinery. This pact has just been renewed for a year, and in addition Germany has created another credit of about \$19,000,000 for Manchukuo, again to be used for the purchase of German machinery. This new credit extends over a period of five years.

### FAR EAST NEEDS RAILS

BUSINESS IS LOOMING in the Far East for rail manufacturers, for Japanese mills are too busy with munitions orders to keep up with demand. Orders for rails booked by the Yawata Steel Works of the Japan Iron Manufacturing Co. (the only major producer of rails) involve 230,000 long tons, including 63,000 tons for delivery to the Imperial Government Railways, 65,000 for Korea, and 55,000 for the South Manchuria Railway Co. Special military demand for the season runs as high as 20,000 tons. Although efforts are being made to gear up production by operation of a new 3,000-ton rolling mill, it is estimated that the year will close with the balance of unexecuted orders increased to 30,000 tons. In these circumstances it is considered doubtful whether the Japanese mills will be able to accept an order for 10,000 tons of light rails from Siam, for which negotiations are now under way with the Mitsui Bussan Kaisha. There is also the possibility that the South Manchuria Railway Co. will invite bids from foreign firms.

## Canadian Tide Turns

**Business pickup causes leaders to anticipate good last quarter.**

OTTAWA—While the business upturn in Canada is not yet consolidated, and over a large part of the field is not much beyond the prospective stage, the conservative view is that gains in the final part of the year will at least counter-balance the drop from 1933 during the first half.

That result seems practically certain in the case of the railroads, whose prospective pick-up of around \$20,000,000 from the crop improvement will about equal the loss from last year recorded up to mid-summer. Any further gain they make from general business betterment will constitute overall gain for the year.

Some other branches of business have not such a heavy drop to make up. It would not require much betterment from now on to put heavy industry, for example, ahead of last year. Only slight reflection of the upswing has reached wholesale and retail trade so far. But improved conditions in the United States and overseas are starting to cut Canada's loss in export trade. Unemployment is declining.

National Steel Car Corporation's performance in the year ended June 30 is a highlight of the industrial picture. Its net profit of \$1,205,000 is well ahead of its previous peak year, 1930, and equals \$9.27 a share, compared with \$160,000 or \$1.24 a share last year. The principal business of this company is the manufacture of railway equipment, but it recently went into aircraft production, with a big new plant near Hamilton and is expected to figure in British orders. The aircraft business is counted on to lower general costs.

With decision of the British air mission on placing of orders in Canada still pending, financial quarters are displaying keen interest in Canadian air-

craft companies. Negotiations are reported under way in connection with Fleet Aircraft holdings, and a Montreal group has taken options on large blocks of stock in Noorduy Aviation, a new company formed to take over Noorduy Aircraft.

Mining is showing renewed activity and will make another heavy contribution to Canadian economy this year. Gold production continues to increase, Ontario's output in July being nearly \$1,400,000 better than last year and \$600,000 better than June.

The revamped trade agreement with the United States should be looked for around Sept. 15, according to informed quarters here which have not hitherto risked a forecast.

British Columbia lumber exporters have been warned by their United States customers that if United States west coast lumber interests succeed in their proposal to have lumber in the United States stamped with the name of the country of origin, the market for Canadian lumber may be curtailed. British Columbia sales in the United States have not yet filled the quota set in the 1935 treaty.

## Confusion in Mexico

**Lack of official interpretation of new regulations affecting business reduces trade with Mexico to new low levels.**

BUSINESS TRANSACTIONS with Mexico are becoming increasingly complicated. The oil controversy is far from settlement, no matter what kind of reply the Mexican government makes to the last, sharply worded note from Secretary Hull on the earlier expropriations of land. No complete official interpretation has been made of the 12% export tax, which at best is subject to change on a monthly basis. Finally, the reduction of most tariffs to the levels which prevailed before the period of tinkering which started last January has brought small reassurance to most exporters because of the great uncertainties over exchange trends, consumer demand, and government policy.

The oil controversy is bound to remain in abeyance until the precedent-setting question of the much older expropriation of ranch lands is settled. In the meantime, it has been revealed that Japan is buying Mexican oil and transporting it in Japanese tankers, and that Germany has been in the market for tankers to haul Mexican oil to Hamburg. In return, Mexico has promised to purchase machinery and mining equipment in Germany.

At the same time, a study by the Foreign Policy Association points out that it is highly improbable that Mex-

## The Modern Home of Brazil's Instituto de Cacao



ONCE, Brazil was the world's No. 1 producer of cocoa beans, as it is today the biggest producer of coffee. With the rise of Africa's Gold Coast, Brazil dropped back to second place as a cocoa producer—but the bean is still high on the list of Brazil's export items, last year ranking fourth. As a branch activity, the Instituto de Cacao, which is now housed in the modern exchange building shown above, is carrying on work at an experimental station with the view to developing breeds of cocoa trees that will produce beans that can command a premium in the world market. Through such work, Brazil hopes to regain from the Gold Coast the position as biggest supplier of the American market.

ico could pay for the expropriated oil properties from the revenue on exported oil. In its latest official estimate of the value of oil properties, Mexican authorities place this valuation at about \$100,000,000. If payment were to be made within the 10 years prescribed by Mexican law, it would mean annual payments of \$10,000,000. The value of exports during the three years 1934-1936 averaged between \$3,000,000 and \$4,500,000, depending on the exchange rate.

The Mexican decree that a tax of 12% would be levied on all exports in order to raise badly needed funds for the government remains a matter of uncertainty. On a long list of items, an official valuation has been named by the government, but this value is applicable only between Aug. 10 and Sept. 20. In almost every case, the unit value of the article for compilation of the tax, was set well below world quotations. But mining companies point out that there is already a 4% tax on the export of capital and that they have been forced to pay this tax on the export of their products. As yet, there is no ruling on whether the 12% tax supplements or supplants the former tax. And whether it does or not, long-range planning is impossible as long as valuations for assessment of the export tax are subject to change once a month.

The tariff reductions which go into effect this week are good news for all but the automobile industry. On the long list of products on which tariffs were raised early this year (BW—Jan

29'38,p40), tariffs have now been reduced to the levels of December, 1937, except on automobiles, on which they are raised, generally, to the high emergency rates which prevailed between January and the end of April. The assumption is that the Mexican government has a dual purpose in increasing the automobile tariff: raising of quick revenues to meet the government shortage, and the forcing of the assembly of foreign cars within the country to provide work for Mexicans.

All business between this country and Mexico is being held to a minimum until some of these problems are solved.

## B. A. and Back—\$410

**This Buenos Aires round-trip rate is typical of new U.S. "good neighbor" fleet.**

A ROUND TRIP to Buenos Aires on one of the luxury liners of the American Republics Line, the new, Washington-sponsored "Good Neighbor Fleet," will cost only \$410. First sailing is Oct. 8, from New York. After that there will be regular sailings at noon on alternate Saturdays.

This announcement is one of the most important in Washington's good neighbor program for cultivating closer relations with Latin America. In a little more than a month, the United States will be represented in the East Coast of South America shipping service with three luxury liners capable



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of maintaining a biweekly schedule of sailings from New York, and with 10 cargo vessels maintaining biweekly service between all the larger Atlantic ports of North and South America.

The *Brazil*, formerly the *Virginia* of the Panama Pacific Line, will inaugurate the passenger sailings on Oct. 8. The *Uruguay* and the *Argentina* will follow on Oct. 22 and Nov. 5. On the twelfth day out of New York they will touch at Rio de Janeiro, Brazil, and a day later at Santos. On the seventeenth day, the liners are due at Montevideo, Uruguay, and the following morning (Wednesday) at Buenos Aires. The return voyage will begin the following Saturday, with stops at Santos, Rio, and Trinidad.

First class rates to Buenos Aires during "the season" range from \$380 to \$850 one way, and from \$550 to \$1,230 for the round trip. To Rio, the one-way rate begins at \$325 and the round trip at \$455.

Tourist rates remain the same the year round. To Buenos Aires, the one-way rate is \$245, the round trip, \$410. To Rio, the one-way fare will be \$200, the round trip, \$350.

Arrangements have been made for stop-overs up to one year, and for passengers to make an overland journey and travel one way on the Grace Line connecting New York with the West Coast of South America.

## Cargo Ships' Service

The second part of the new service will be carried out with 10 cargo ships which will sail on alternate Thursdays from New York, but which will call regularly also at Boston, and—as freight demand arises—at Philadelphia, Norfolk, Baltimore, Charleston, Savannah, and Jacksonville. In South America, they will call regularly at Pernambuco, Bahia, Rio de Janeiro, Santos (all in Brazil), Montevideo, and Buenos Aires, and at whatever other ports there is a demand for the service. The freight ships will maintain an 84-day turn-around schedule. Vessels in the old American Republics Line fleet may be replaced in the near future with faster vessels of Moore & McCormack, newly appointed operators of the whole new service to the East Coast of South America.

Warren L. Pierson, president of the Export-Import Bank, is already in South America surveying opportunities for the expansion of American business with these countries, if backed by more liberal credit policies. Negotiations for a reciprocal trade agreement with Argentina are expected to be opened shortly after the November elections. Reciprocal trade agreements have already been signed with 10 Latin American countries, the most important of which are Cuba, Brazil, Colombia.

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## EDITORIALLY SPEAKING

**WHAT'S NEW:** Procter & Gamble control a new patent for using a little soap in cake-baking so as to produce an exceptionally sweet and light cake; the soap permits the baker to add much sugar and moisture without causing the cake to fall. . . Pitburgh Plate Glass Co. will have complete sets of glass furniture on the market in October. . . Peach-growers in Upson County, Ga., are defurring their peaches by means of electricity furnished by the Electric Membership Association; the peaches are turned by revolving rollers, while brushes remove the fur.

**BUSINESS, STAY 'WAY** from my door! Our New Products column, on May 7, briefly described a tiny camera, called Compass, manufactured in Switzerland. Forthwith an eager clamjamfery of readers cried out to know where they could buy it. . . The Gentleman on the New Products Desk had to tell them that no American distributor had yet been appointed. Recently he inquired anew of Compass Cameras, Ltd., London, world distributors of the camera—and got an answer. . . No, they said, they still hadn't appointed an American distributor. And, "incidentally we would mention that whilst we are indebted to *Business Week* for the publicity which they were instrumental in giving us, we found that the large number of enquiries which we received were by way of being a handicap inasmuch as it is our policy to reply personally to all enquiries; and this in consequence entailed quite a lot of work."

**OUR TIMES:** In an unparalleled deal, Station WCAM, of Camden, N. J., which is municipally owned, has sold practically all its time for the next 10 years to a single buyer—the Mack Radio Sales Co., an advertising agency—for \$200,000. . . Several New England dairies—including H. P. Hood and Sons Co., of Boston; Forest Lake Creamery, of Palmer, Mass., and Oakhurst Dairy Co., of Portland and Bath, Me.—are manufacturing and distributing orange drinks, using machinery made by the Paul Hawkins Co., of Los Angeles. . . Marvin's No. 1 drug store, on Main Street in Dallas, Tex., has only been shut six hours since it was opened in 1908—two hours in 1912, during the funeral of a relative of the owner; two hours in 1918, during a Liberty Loan parade, and two hours on a recent Sunday, because of a "Go to Church" drive. . . At 76, William C. Durant—who, at the peak of his career as president of General Motors, was rated 100 times a millionaire—is about to sell at auction his \$500,000 summer home at Deal Beach, N. J., and his \$250,000 art and

furniture collection; he plans to live the rest of his life on the proceeds, for "my business days are over."

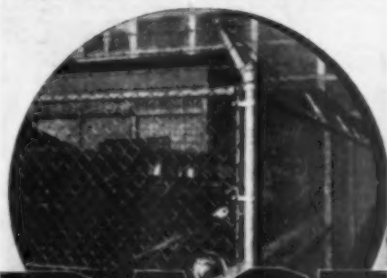
**IN YOUR EAR:** \$1,000,000 for one-third of the stock of the (Trenton, N. J.) Times Publishing Co. That's the offer which the majority stockholders, the family of the late James Kerney (Woodrow Wilson's friend), have made to the minority, the family of the late A. Clozer Reeves. . . Thomas Edward Hicks, president of the Personal Products Corp. (manufacturer of "Modess" sanitary napkins and "Coets" cosmetic cotton squares), is married to a Reeves and represents the Reeves family in the *pourparlers* with the Kerneys. . . A booklet intended to popularize the accordion by tying it up with the swing fad will be published by Excelsior Accordions, Inc., and sold at a nominal price. . . Yale & Towne Manufacturing Co. will soon announce a new electric hoist which it thinks has remarkable endurance and lifting capacity.

**AWFUL LAWFUL:** Two judges of the federal Circuit Court of Appeals—Harrie B. Chase and Augustus N. Hand—have sustained the validity of the Camille Dreyfus semi-soft fused collar patents, owned by the Celanese Corp. of America, which Mr. Dreyfus is president of; but the third judge, Learned Hand (a cousin of Augustus N.) dissents tartly, saying the real inventor is Dr. Benjamin Leibowitz, president of the Trubenizing Process Corp. . . The British High Court of Appeal, deciding in favor of Kellogg Co. of Great Britain, has ordered the trademark "Shredded Wheat" expunged from the records, on the ground that it is merely a descriptive name. Shredded Wheat Co., Ltd., is appealing to the House of Lords.

**"SURPRISED"**—that's what you said you were at the use of Copywriter Jack Rosebrook's pan in the Four Roses ad," writes A. W. Morrison, McGraw-Hill circulation manager. "It happens that Account Executive Eddie Barnes and 'White Tie' Rosebrook were schoolmates at my Alma Mater. Both of them will probably get panned by a good Methodist college back in Ohio, not only for presenting the Rosebrook pan but for penning such a persuasive panegyric of John Barleycorn." . . Thanks, Morry. And how delicately you refrain from naming the college—Ohio Wesleyan! . . . And by the way, do you know what compensation anybody at Young & Rubicam receives for consecrating his face to one of the agency's Four Roses ads? A case of Four Roses!

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# BUSINESS WEEK

The Journal of Business News and Interpretation

SEPTEMBER 3, 1938

## Code for Investigators

**R**ESIGNATION of Adolph A. Berle, Jr., Assistant Secretary of State, was to have been expected, but not for the reason he gave in his letter to the President: that he had finished the job on the Anglo-American trade agreement for which he was appointed. However true that reason may be, Washington observers still will believe that the whole truth as to the spirit of his departure could have been better expressed by that conventional mask for dissent, "reasons of health." Other work could have been found for a Presidential adviser who held the nominal title of Assistant Secretary of State; surely, Tommy Corcoran must long ago have finished any job that justified his title as Special Counsel to the Reconstruction Finance Corporation.

But there's no remedy if the atmosphere of Washington in the Second New Deal is inimical to Adolph Berle's intellectual health. And that conclusion seems plausible enough after one has read the "Memorandum of Suggestions for the Investigation of Business Organization and Practices," with which Mr. Berle enlivened his return to Washington.

**T**HIS MEMORANDUM to the Temporary National Economic Committee, suggesting, above all, that the "monopoly probe" be actually turned into a broad-gaged "investigation of business organization and practices" in which business could logically cooperate, betrays a man who breathes a very different air from Washington's current gaseous mixture of political over-simplifications, slogans, and pogroms. It warns against the preconceptions with which all previous investigations of this kind have started. It expresses doubt that small business is necessarily more competitive or humane than big business, reinforcing the doubt by example. It points out that a standard of approach has yet to be set in judging the "efficiency of size." It states flatly that "legislating competition simply does not work out" and asserts that in some fields cartelization may be essential. It raises the politically awkward question of privileges granted to labor unions to bully business. It brushes aside Lundberg's "Sixty Families" (Sec. Ickes' favorite horror story) with the remark that "concentration of power has nothing whatever to do with the fortunes of individuals." It tells how Sen. O'Mahoney's federal licensing plan could easily give us an economic dictator. It demonstrates that the undistributed profits tax simply guaranteed that "no small business could grow up to a point where it

could give its larger competitors any real battle." And, perhaps most disturbing of all to Mr. Berle's employers, it lets loose on the world the statement that "a fair criticism of the technique of the New Deal has been that it indulged in shotgun imposition of regulation without adequate definition of standards."

For the flavor of the whole job, one may turn to this: "As a final point, I note that, whenever a situation appears, it is always wise to attack it with the realization that there is a real reason for it. Habits, in a large country, do not emerge by chance. The reason may not be a good reason, or may have ceased to be valid. The habit may be a bad habit. But there is always a reason, with which we may intellectually disagree, but which cannot be disregarded as a social force. Mere interruption of habits and social machinery means nothing unless an equivalent or better machinery is simultaneously provided or suggested."

**B**USINESS MEN should not conclude from these statements from the memorandum certain to have registered most vividly on New Deal minds that they, too, won't find some of his questions hard to take. But the point is that these questions are asked in the practical, dispassionate temper of business itself, of the chemist in the research laboratory, of the salesman in the market.

In the present temper of the New Deal, amid the intriguing for power of which Mr. Berle is known to have had recent experience, it is doubtful whether the chance to make political capital of the "monopoly probe" will be passed up. However, the decision is not for the intriguers alone. The Economic Committee includes men who may be tired of seeing high ends lowered by the political means used to attain them. There is still a chance for the inquiry to develop in a climate favorable to realistic minds.

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